

GAO

Accounting and Information  
Management Division

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# Financial Audit Manual

Volume 2

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## CONTENTS - PART II

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# SECTION 600

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Planning and General

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## Planning

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### 601 - INDEPENDENCE CHECKLIST

Entity \_\_\_\_\_

Period of Financial Statements \_\_\_\_\_

Job Code \_\_\_\_\_

- .01 Government Auditing Standards (GAGAS) Section 3.11 states: "In all matters related to audit work, the audit organization and the individual auditors...should be free from personal and external impairments to independence, should be organizationally independent, and should maintain an independent attitude and appearance". We should be independent during the period of the financial statements being audited to the date we issue our report. For example, if on March 30, 1996, we issue our report on fiscal year 1995 financial statements, each team member should maintain independence from October 1, 1994 until March 30, 1996.
- .02 This form documents the audit team's compliance with this standard. The audit team includes all who work on the audit, review the report or substantively consult with the audit team. Team members should sign this form before beginning work on the audit. If there are changes during the audit, the team member should notify the issue area director. Team members who cannot sign this statement should write a memorandum to the issue area director explaining that they lack independence and why. The director should note the action taken, which ordinarily should be to remove the staff member from the audit.

#### PERSONAL IMPAIRMENTS

- .03 Personal impairments to independence (GAGAS Section 3.16) are:
- a. official, professional, personal, or financial relationships that might cause an auditor to limit the extent of the inquiry, to limit disclosure, or to weaken or slant findings in any way;
  - b. preconceived ideas toward individuals, groups, organizations, or objectives of a particular program that could bias the audit;
  - c. previous responsibility for decision-making or managing an entity that would affect current operations of the entity or program being audited;

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- d. biases, including those induced by political or social convictions, that result from employment in, or loyalty to, a particular group, organization, or level of government;
- e. subsequent performance of an audit by the same individual who, for example, had previously approved invoices, payrolls, claims and other proposed payments of the entity being audited;
- f. concurrent or subsequent performance of an audit by the same individual who maintained the official accounting records; and
- g. financial interest that is direct, or is substantial though indirect, in the audited entity or program;

**EXTERNAL IMPAIRMENTS**

- .04 External impairments to independence (GAGAS Section 3.17) are:
- a. external interference or influence that improperly or imprudently limits or modifies the scope of an audit;
  - b. external interference with the selection or application of audit procedures or in the selection of transactions or balances to be examined;
  - c. unreasonable restrictions on the time allowed to complete an audit;
  - d. interference external to the audit organization in the assignment, appointment, and promotion of audit personnel;
  - e. restrictions on funds or other resources provided to the audit organization that would affect the audit organization's ability to carry out its responsibilities;
  - f. authority to overrule or to influence the auditor's judgement as to the appropriate content of an audit report; and
  - g. influences that jeopardized the auditor's continued employment for reasons other than competency or the need for audit service.

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### 601 - Independence Checklist

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## STATEMENT OF INDEPENDENCE

I state that I have no personal impairments to independence on this audit nor am I aware of any external impairments to independence. I will notify the issue area director if there are changes that affect independence between the date below and the date GAO issues its report.

[illegible]



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## Planning and General

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### 650 - USING THE WORK OF OTHERS

- .01 In many audits, the auditor uses the work and reports of other auditors and specialists. Other auditors include CPA firms, Inspectors General, state auditors, and internal audit functions. Specialists include actuaries and information systems auditors. The auditor should perform appropriate procedures to use the work of other auditors and specialists (the audit organization using the work of other auditors and specialists is referred to below as "the auditor"). This section provides guidance on using the work of other auditors and specialists and the nature and extent of procedures the auditor should perform.
- .02 Various professional standards provide guidance in this area. These standards include AU 543, "Part of Audit Performed by Other Independent Auditors"; AU 322, "The Auditor's Consideration of the Internal Audit Function in an Audit of Financial Statements"; AU 336, "Using the Work of a Specialist"; and AU 315 (SAS No. 84), "Communication Between Predecessor and Successor Auditors." These standards have different requirements depending on whether the other organization is an independent auditor, an internal auditor, or a specialist.
- .03 The auditor may use the work of other auditors and specialists in various situations, for example:
- audits by Inspectors General or CPA firms in accordance with Government Auditing Standards (GAGAS) and OMB Bulletin 93-06;
  - audits by Inspectors General or CPA firms in accordance with GAO's Financial Audit Manual (FAM), including an opinion on management's assertions about internal control;
  - CPA firms or specialists hired to do parts of an audit (for example, review information systems controls, review actuarial calculations, test specific accounts);
  - single audits or audits of federal funds performed by state auditors and CPA firms;
  - work performed by internal audit functions; and
  - internal audit staff who provide direct assistance to the auditor.

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- .04 AU 543.13 states: "In some circumstances the principal auditor may consider it appropriate to participate in discussions regarding the accounts with management personnel of the component whose financial statements are being audited by other auditors and/or to make supplemental tests of such accounts. The determination of the extent of additional procedures, if any, to be applied rests with the principal auditor alone in the exercise of his professional judgment and in no way constitutes a reflection on the adequacy of the other auditor's work. Because the principal auditor in this case assumes responsibility for his opinion on the financial statements on which he is reporting without making reference to the audit performed by the other auditor, his judgment must govern as to the extent of procedures to be undertaken."
- .05 The above paragraph makes clear that the principal auditor exercises considerable judgment in deciding what procedures are necessary to use the work of the other auditor. The principal auditor should consult and coordinate with the other auditor and interact with the other auditor in a professional, courteous manner. However, when there is a difference of opinion between the two organizations, the principal audit organization should perform the work and report the results based on its professional judgment.
- .06 FAM 650 provides guidance in making the judgments necessary to use the work of others. These judgments include:
- the type of reporting (see paragraph 650.07),
  - the auditor's evaluation of the other auditors' or specialists' independence and objectivity (see paragraphs 650.09-.20),
  - the auditor's evaluation of the other auditors' or specialists' qualifications (see paragraphs 650.21-.32), and
  - the auditor's determination of the level of review (see paragraphs 650.33-.36).

**TYPES OF REPORTING**

- .07 There are various types of reporting when using the work of other auditors and specialists. The type of reporting should be decided in planning the job and generally should be discussed with key report users and with the other auditors or specialists. Section 650 A contains examples of wording for two types of reporting. The types of reporting are as follows.

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- **No association with report**--In this situation, the other auditors' or specialists' report is provided directly to the auditee and/or to significant users. The auditor may use this method when there is no legal requirement for a separate report by the auditor, the user does not need a separate report from the auditor, and a separate report would provide no additional information.
- **Auditor transmittal letter**--This letter indicates that the auditor reviewed the other auditors' or specialists' workpapers and performed other procedures and states that the auditor found no violations of Government Auditing Standards (GAGAS); however, because the auditor did not perform an audit, the auditor does not express an opinion on the financial statements or on management's assertions about internal control. See example 1 of section 650 A for wording.<sup>1</sup> The auditor may use this approach when there is no legal requirement for the auditor to express an opinion but the auditor is required to issue a report or letter. The auditor may expand the letter to highlight certain findings or information or to indicate that certain procedures were performed. Since this letter names the other auditors and presents their report, the auditor, as a matter of professional courtesy and as indicated in AU 543.07, should tell the other auditors how their report will be used. For CPA firms, this generally should be done through the contracting process. The auditor also should provide the other auditors a draft of the transmittal letter.
- **The auditor issues a report that refers to other auditors' reports and indicates a division of responsibilities**--The auditor may use this approach when the other auditors have reported on financial statements for an entity that is part of the entity whose financial statements the auditor is reporting on and the auditor does not wish to take responsibility for the other auditors' work. See AU 543.09 for example wording. If the auditor wishes to name the other auditors or to present their report, the auditor, as a matter of professional courtesy and as indicated in AU 543.07, should tell the other auditors how their report will be used. For CPA firms, this generally should be done through the contracting process. The auditor also should provide the other auditors a draft of the report. This approach may be used only for CPA firms or

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<sup>1</sup> In some cases, the auditor may issue a transmittal letter without reviewing the other auditors' workpapers. In these situations, the transmittal should be clear as to the limitations of the auditor's work.

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for other auditors who are organizationally independent (see paragraph 650.12); it may not be used for internal auditors or specialists. This approach also should not be used when the portion of the consolidated assets, liabilities, expenditures, revenues, or net position audited by the other auditor is "so large" that there would be a question as to who is the principal auditor (see AU 543.02). While the auditor should exercise judgment on this issue, "so large" usually means that more than 50 percent of the consolidated assets, liabilities, expenditures, revenues, or net position is audited by other auditors. If the portion of the consolidated assets, liabilities, expenditures, revenues, or net position audited by the other auditor is "so large," the auditor should do enough work to issue a report that does not mention the other auditors' work. (See below.)

- **The auditor issues a report that expresses concurrence with the other auditors' report and conclusions--**The auditor may use this approach when other auditors have reported on financial statements and the auditor needs or wants to provide more assurance than what is provided by the transmittal letter. This approach is appropriate and most likely to occur when the auditor has a statutory responsibility to audit and report on the financial statements but another auditor (such as a CPA firm under contract with the auditor) has performed the audit of the financial statements. See example 2 in section 650 A for report wording. This approach may be used only for CPA firms or for other auditors who are organizationally independent (see paragraph 650.12) . Since this report names the other auditors and presents their report, the auditor, as a matter of professional courtesy and as indicated in AU 543.07, should tell the other auditors how their report will be used. For CPA firms, this generally should be done through the contracting process. The auditor also should provide the other auditors a draft of the report. This report should not be used for specialists, since AU 336.15 prohibits reference to a specialist's report unless the auditor issues a qualified or adverse opinion or a disclaimer of opinion based on the specialist's work. This approach also should not be used for internal auditors. AU 322.19 notes that the responsibility to report on the financial statements rests with the auditor and cannot be shared with internal auditors.<sup>2</sup>

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<sup>2</sup> There may be situations where the auditor is asked to provide a separate opinion in addition to presenting the other auditors' report. In these situations, the auditor should follow the wording in section 595 A and/or B and

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- **The auditor issues a report that does not mention the other auditors' or specialists' work**--In this situation, the auditor issues the report in section 595 A and/or B (as if no other auditors or specialists were involved). This means the auditor takes responsibility for the other auditors' or specialists' work. The auditor generally should use this approach where the other auditors have done part of the audit; the approach also may be used when the other auditors have done the entire audit. The auditor also should use this approach when using the work of specialists and internal auditors, since professional standards do not permit referring to specialists' or internal auditors' work (unless, for specialists, the auditor issues a qualified or adverse opinion or a disclaimer of opinion based on the specialist's work). GAO will use this approach in the audit of the consolidated financial statements of the United States.

.08 The following chart presents an overview of the work the auditor generally should perform for each type of report or letter. "Yes" means some of that category of work generally should be performed. "No" means that the category is generally not required for the report or letter. The extent of work in each category depends on the auditor's judgment. See paragraph 650.33 for discussion on level of review.

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should add the following in lieu of the introduction to the first bullet on page 595 A-4:

"To help fulfill these responsibilities, we contracted with the independent certified public accounting firm of [insert firm name] to perform a financial statement audit in accordance with generally accepted government auditing standards, OMB's Bulletin, "Audit Requirements for Federal Financial Statements," and GAO's Financial Audit Manual. The report of [name of CPA firm] dated [date] is attached. We evaluated the nature, timing, and extent of the work, monitored progress throughout the audit, reviewed the workpapers of [name of CPA firm], met with partners and staff members of [name of firm], evaluated the key judgments, met with officials of [entity being audited], performed independent tests of the accounting records, and performed other procedures we deemed appropriate in the circumstances. Our opinions expressed above are consistent with the opinions of [name of CPA firm]. Thus, in this audit, we:" (continue with bulleted items).

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<b>Type of reporting</b>	<b>Evaluate the other auditors' independence and objectivity (paragraphs 650.09-.20)</b>	<b>Evaluate the other auditors' qualifications (paragraphs 650.21-.32)</b>	<b>Level of Review (paragraph 650.36)</b>	<b>Review work-papers (paragraph 650.37)</b>	<b>Perform supplemental tests (paragraphs 650.38-.42)</b>
<b>No association with report</b>	No <sup>3</sup>	No	None	No	No
<b>Auditor transmittal letter</b>	Yes	Yes	Moderate or Low	Yes	No
<b>Report refers to the other auditors' report and indicates a division of responsibilities</b>	Yes	Yes	Moderate or Low	Yes	No
<b>Report concurs with the other auditors' report or does not mention the other auditors' or specialists' work</b>	Yes	Yes	High, Moderate or Low	Yes	Yes for internal auditors' work. Yes for auditors' work for high level of review; No for specialists' work and for moderate or low level of review

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<sup>3</sup> If the auditor contracts with the other auditors, the contracting process generally will require the auditor to evaluate the other auditors' independence, objectivity, and qualifications and to monitor performance under the contract.

**EVALUATING THE OTHER AUDITORS' OR SPECIALISTS'  
INDEPENDENCE AND OBJECTIVITY**

- .09 Unless the auditor has no association with the report, the auditor should evaluate the other auditors' or specialists' independence and objectivity. Where the auditor has previously used the work of the same other auditors, the auditor generally should update the previous evaluation. GAGAS 3.11 indicates that audit organizations and individual auditors should be free from personal and external impairments to independence, should be organizationally independent, and should maintain an independent attitude and appearance. The auditor should first evaluate organizational independence. Different standards apply to CPA firms, other organizationally independent auditors, internal auditors, and specialists.
- .10 For CPA firms and specialists, the contracting process is designed to select a firm that is independent and objective. The statement of work or request for proposal should ask the firms to represent that they are independent and objective with respect to the auditee and should request the firms to describe in their proposals work they have done for the auditee in the last several years. The technical evaluation panel should evaluate whether the nature and extent of this work or other factors cause an independence or objectivity issue.
- .11 If possible, the auditor should have a role in the hiring process. Where the auditor does not participate in hiring the CPA firm or specialist, the auditor generally should obtain an overview of the hiring process; this generally should include reading the statement of work or request for proposal and the proposal of the firm selected, and understanding the evaluations of the panel selecting the firm. The auditor should determine whether the firm provided a representation as to independence and objectivity (usually in its proposal). If the firm has not provided a representation as to independence and objectivity, the auditor should obtain a representation from the firm. If the auditor is not familiar with the firm, the auditor should inquire of professional organizations (such as the American Institute of Certified Public Accountants) as to the firm's professional reputation and standing.
- .12 For government auditors, the auditor should decide whether the other audit organization is organizationally independent or whether it should be considered an internal audit organization. The auditor may refer to the work of organizationally independent government auditors, but should not refer to the work of internal audit organizations in the audit report; generally more extensive review and supervision are necessary when

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dealing with internal auditors. The auditor should obtain written representations from the head of the government audit organization that to the best of his or her knowledge, the organization and the individual auditors doing the work are independent of the entity being audited. This means that the individual auditors are free of personal impairments to independence and maintain an independent attitude and appearance; it also means that the organization is free from external impairments and is organizationally independent (see GAGAS 3.11). The representation letter may indicate the general criteria for determining independence, such as "under the criteria in GAGAS." The representations should be for the period of the financial statements to the date of the other auditors' report. Since the decision on the independence and objectivity of the other auditors is needed to plan the auditor's work, the auditor generally should obtain oral representations early in the audit, with written representations at the end of the audit.<sup>4</sup>

- .13 There is a presumption that a government audit organization is organizationally independent if it meets ONE of the following criteria (see GAGAS 3.24 and 3.25):
- The head of the audit organization is appointed by the chief executive, but is confirmed by, reports the results of audits to, and is accountable to the legislative body (Presidentially appointed IGs meet this criterion).
  - The audit organization is auditing a level of government different from the level of the audit organization (for example, a federal auditor audits a state program; a state auditor audits a local program);
  - The audit organization is in a different branch of government from the organization being audited (for example, a legislative branch auditor audits an executive agency program);
  - The head of the audit organization is elected by the citizens; or
  - The head of the audit organization is elected or appointed by a legislative body and reports the results of audits to and is accountable to the legislative body.

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<sup>4</sup> Obtaining a representation from the head of the audit organization is similar to the procedure for CPA firms under AU 543.10b.



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- .14 If the other audit organization meets one of the above criteria, the auditor need not perform any procedures concerning organizational independence other than to obtain a representation letter from the head of the audit organization as noted in paragraph 650.12 (see paragraph 650.19 for tests of personal independence). However, if the auditor encounters evidence that the audit organization might not have sufficient organizational independence, the auditor should consider the need for inquiries and other procedures; the auditor should then evaluate the results of these procedures.
- .15 Some government audit organizations might not appear to meet any of the criteria in paragraph 650.13 but might still have sufficient organizational independence that the auditor may decide that they are organizationally independent. This decision should be made for each year's audit based on the current information about the specific audit. If the government audit organization meets ALL of the following criteria, the auditor may decide that it is organizationally independent:
- Statutory recognition--The audit organization is recognized by law and cannot as a practical matter be readily abolished by the agency without the direct or indirect concurrence of the legislative body;
  - Outside concurrence with appointment and removal of head of audit organization--The head of the audit organization is appointed and as a practical matter cannot be removed without the direct or indirect concurrence or knowledge of parties outside the agency;
  - Reporting to agency head--The head of the audit organization reports directly to the agency head;
  - Government Auditing Standards--The audit organization is required by law or regulation to follow GAGAS in performing the audits for which the auditor wants to use the other auditors' work; and
  - Accountability to the public--The audit organization's mission statement, objectives, overall annual audit strategy, and audit reports are readily available to the public (except for specific reports classified for security purposes or otherwise restricted by law or regulation).
- .16 If the auditor believes that the government audit organization meets all of the criteria in paragraph 650.15 and decides that it is organizationally independent, the audit team should obtain a representation letter from the

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head of the audit organization as noted in paragraph 650.12 and should perform inquiry and walkthrough procedures to support this conclusion.

- .17 If the auditor decides that the government audit organization is not organizationally independent, the auditor should determine whether the other auditor qualifies as an internal auditor. Although internal auditors are not independent of the entity, the Institute of Internal Auditors' (IIA) Standards for the Professional Practice of Internal Auditing defines internal auditing as an independent appraisal function within an organization to examine and evaluate its activities as a service to the organization. GAGAS 3.19 to 3.22 contains guidance on independence for internal auditors. For example, internal auditors should be outside the staff or line management function of the unit under audit. They should report their results and be accountable to the head or deputy of their agency. IIA standards require internal auditors to be independent of the activities they audit. This concept of independence is different from independence under the AICPA Code of Professional Conduct or independence for external auditors under GAGAS. The auditor generally should determine whether the internal auditors whose work is to be used are independent of the activities they audit. The auditor also should consider the organizational status of the audit organization director, including:
- whether the director reports to a person of sufficient status so that there is broad audit coverage and adequate consideration and action taken on findings and recommendations;
  - whether the director has access to and reports regularly to the agency head (or deputy), the board of directors, the audit committee, or similar body; and
  - whether the board, the audit committee, or the agency head (or deputy) oversees employment decisions related to the director.
- .18 If the auditor concludes that the internal auditors are not independent under GAGAS and IIA standards, the auditor should treat the work as if it were prepared by the auditee. If the auditor concludes that the internal auditors are independent under GAGAS and IIA standards, the auditor may use their work to the extent permitted by AU 322. In either case, the auditor may not refer to or concur with the work of internal auditors.
- .19 In addition to evaluating the other auditors' organizational independence, the auditor should evaluate whether the audit team has any personal

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impairments. For both internal auditors and organizationally independent government audit organizations, the auditor generally should ask how the other auditors monitor the personal independence of individual staff members, especially those doing the work the auditor would like to use.

- .20 For all types of government auditors, the auditor should prepare a memorandum documenting the work performed and the conclusions reached as to independence and objectivity. The documentation should indicate the auditor's conclusion as to whether the other auditor is independent and objective and the basis for that conclusion (including the paragraph in FAM 650 under which they are independent and the results of any procedures performed). This memorandum should be approved by the issue area director and the Director of Planning and Reporting or designee. The auditor should consult with the Director of Planning and Reporting or designee if there are questions about the other auditors' independence or objectivity before discussing the issue with the other auditor.

**EVALUATING THE OTHER AUDITORS' OR SPECIALISTS' QUALIFICATIONS**

- .21 After evaluating the other auditors' or specialists' independence and objectivity, the auditor should evaluate the other auditors' or specialists' qualifications to perform the specific tasks required. This involves evaluating the qualifications of the firm or audit organization and evaluating the qualifications of the specific audit team. Where the auditor has previously used the work of the same other auditors, the auditor generally should update the previous evaluation.
- .22 For CPA firms and specialists, qualifications are generally evaluated through the contracting process. The firm submits resumes for the audit team and demonstrates why its team is qualified to do the work. CPA firms should be asked to submit their latest peer review report, letter of comments, and response to the peer review report. The firm generally submits its plan for doing the work. The purpose of the technical evaluation panel is to select a qualified firm.
- .23 Where the auditor did not participate in the hiring process, the auditor should consider how the qualifications of the firm were evaluated. For example, did the evaluation panel review resumes of the team; review the audit approach; and read the peer review report, the related letter of

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comments, and the firm's response to the peer review report? The auditor should read these documents and reach a conclusion as to qualifications.

- .24 GAO has a master contract with five CPA firms: Arthur Andersen, Coopers & Lybrand, Ernst & Young, KPMG Peat Marwick, and Price Waterhouse. In the process of setting up the master contract, GAO reviewed the peer review report, letter of comments, and response to the peer review report. In addition, GAO has worked extensively with these firms. Therefore, it is not necessary to review the peer review report, letter of comments, and response to the peer review report for these firms. The auditor generally should review the proposal to be satisfied the team is qualified and has an appropriate plan for doing the work.
- .25 For auditors other than CPA firms, the auditor should ask whether the audit organization had a peer review and the date of that review. OIGs have peer reviews performed every 3 years by other OIGs. Many state auditors also have peer reviews every 3 years. The Institute of Internal Auditors conducts Quality Assurance Reviews (peer reviews) of internal audit organizations on a voluntary basis. The auditor should read the peer review report, the letter of comments, and the audit organization's response. Where the audit organization has received an unqualified peer review report recently (usually less than 1 year ago), further review of the audit organization's qualifications is generally not required.
- .26 Where the peer review report is not recent, the auditor also should review the results of the audit organization's internal inspection program. If the peer review is not recent, the inspection is important in highlighting new quality control issues. The inspection generally should include reviews of workpapers, interviews of staff members, and tests of functional areas. Where the inspection is recent (usually within the past year) and the inspection report is unqualified, further review of the audit organization's qualifications is generally not required.
- .27 Where the peer review or inspection report is qualified or adverse, the auditor should evaluate whether the quality control system has since been strengthened to allow the auditor to use the other auditors' work. The auditor may review the organization's action plan for improving quality controls. Inspection results are helpful in determining whether quality controls have improved since the peer review. The auditor should consider the effect of the remaining weaknesses in determining the nature and extent of procedures the auditor will perform.

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- .28 Where the peer review is not recent and there is no inspection program, the auditor generally should obtain an overview of the important policies and procedures in the functional areas:
- independence, integrity, and objectivity (see above);
  - personnel management (includes recruiting and hiring, advancement, professional development and training, and assigning personnel to assignments);
  - audit performance (includes supervision and consultation);
  - acceptance and continuance of assignments; and
  - monitoring (inspection) programs.
- .29 This information usually is obtained through interviews of the audit organization's management and staff and through reading the audit organization's quality control summary document, if one has been written (see section 1201 for GAO's document). The auditor also may read the organization's manuals and other guidance for conducting audits.
- .30 In addition to evaluating the audit organization's qualifications, the auditor also should evaluate the overall qualifications of the other auditors' team assigned to do the work. This may be done by reviewing resumes of key team members. The auditor should consider the specific education, training, certifications, and experience of key team members. In evaluating qualifications, the auditor should consider the specific role of staff members on the job. Where the auditor has knowledge of qualifications from prior experience with key team members, the auditor should update that knowledge.
- .31 Where the auditor is not fully satisfied as to the other auditors' qualifications, the auditor generally should perform a more detailed review of the workpapers and/or perform supplemental tests of key line items (see paragraph 650.33). The auditor also may help the other auditors improve future audits.
- .32 If the auditor has significant concerns about the other auditors' independence, objectivity, or qualifications, the auditor should revise the audit approach. For example, the auditor may:
- contract with another firm,
  - ask the other auditors to substitute more highly qualified or objective staff members,

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- do the audit without using the other auditors' work, treating any work done by the other auditors as prepared by the auditee,
- divide the work so that the other auditors test the areas where they are qualified, and the auditor does the rest of the audit, or
- issue a disclaimer of opinion.

**PLANNING THE REVIEW AND TESTING OF THE OTHER AUDITORS' OR SPECIALISTS' WORK**

- .33 After evaluating the other auditors' or specialists' independence, objectivity, and qualifications, the auditor should develop a written plan for reviewing and, if necessary, testing the work done. This plan documents the level of review the auditor believes necessary. The level of review is either high, moderate, or low. The plan should be reconsidered as the work progresses. The level of review is a judgment the auditor makes; this judgment generally should be made for each material line item and should consider the following factors:
- a. The type of report or letter the auditor will issue (see paragraph 650.08) (less review is needed for a transmittal letter than for reports where the auditor takes responsibility for the other auditors' work).
  - b. Whether the other auditor issues a disclaimer of opinion because of a scope limitation (less work is needed to concur with a scope limitation than to concur with an unqualified opinion -- see paragraph 650.34).
  - c. Whether the auditor's report will contain a disclaimer because of a scope limitation (less work is needed if the auditor's report will contain a scope limitation -- see paragraph 650.35).
  - d. The other auditors' independence, objectivity, and integrity (both for the audit team and for the other audit organization) including whether the other audit organization is an independent auditor or an internal auditor (the level of review increases as independence, objectivity, and integrity decreases).
  - e. The other auditors' qualifications to perform the work the auditor wishes to use (both for the audit team and for the other audit organization) (the level of review increases as the other auditors' qualifications decrease).

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- f. The auditors' prior experience with the other auditors (both for the audit team and for the other audit organization) (the level of review decreases as the auditor has favorable experience in working with the other auditors).
  - g. The materiality of the line item in relation to the financial statements the auditor is reporting on, taken as a whole (the level of review increases as the line item becomes more material).
  - h. The combined risk (combination of inherent risk and control risk) and the risk of material fraud for the line item and assertion in the financial statements the other auditor is auditing (the level of review increases as the combined risk and the risk of material fraud increase).
- .34 A scope limitation on the other auditors' work generally has a major effect on the level of review. If the other auditor disclaims an opinion on the financial statements because of a scope limitation, the auditor should issue a disclaimer of opinion (unless the financial statements the other auditor audited are not material to the financial statements the auditor is auditing). It will not take much review to be satisfied that the disclaimer is appropriate. Supplemental tests are not required in this situation, and the review of workpapers may be limited to summary workpapers. Thus, the level of review is usually low. However, the auditor may decide to do additional work to learn about the entity, to help the other auditor plan future audits, or to help management correct the causes of the scope limitation.
- .35 A scope limitation on the auditor's work also affects the level of review. Since the auditor has already decided that not enough work can be done on the overall financial statements, no amount of review of the other auditors' work is likely to change that conclusion. Thus as in the situation above, supplemental tests are not required, the review of the other auditors' workpapers may be limited to summary workpapers, and, the level of review is usually low. However, the auditor may decide to do additional work to learn about the entity, to help the other auditor plan future audits, or to help management correct the causes of the scope limitation.
- .36 The following chart illustrates the work that generally should be performed for each level of review for each significant line item.

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Level of Review	Steps at the Entity Level	Nature and extent of work for significant line items
Low <sup>5</sup>	<ul style="list-style-type: none"><li>•Communicate with the other auditors or specialists as to the objectives of the work.</li><li>•Review General Risk Analysis (or audit plan) and scope of work.</li><li>•Review audit summary memorandum, completion checklist, summary of unadjusted misstatements, analytical procedures (or similar items for specialists).</li><li>•Read the other auditors' report, the financial statements, the notes, the other accompanying information, and management's response.</li></ul>	<ul style="list-style-type: none"><li>• Review audit program for the line item.</li><li>•Review conclusions about significant issues and their resolution, and conclusions about line items .</li></ul>

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<sup>5</sup> In some situations, the auditor may decide less review or no review is necessary. These situations typically involve entities or line items that are very small in relation to the financial statements taken as a whole. In these situations the auditor may decide to read the other auditors' report and the financial statements and ask questions if anything seems unusual.



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Level of Review	Steps at the Entity Level	Nature and extent of work for significant line items
Moderate	<ul style="list-style-type: none"> <li>•Perform same steps under "Low" plus the following:</li> <li>•Visit the other auditors or specialists and discuss their procedures and the results.</li> <li>•Attend key entrance and exit meetings.</li> <li>•Review the determination of planning materiality and design materiality.</li> <li>•Have an information systems auditor review the information resource management background information and the workpapers for review of general and application controls.</li> <li>•Review representation letters, other auditors' or specialists' key workpapers at the entity level (see paragraph 650.37).</li> </ul>	<ul style="list-style-type: none"> <li>•Perform same steps under "Low" plus the following:</li> <li>• Review account risk analysis, specific control evaluation, cycle memorandum, flowcharts, the determination of test materiality, and the audit program.</li> <li>•Review other auditors' or specialists' key workpapers for the line item (see paragraph 650.37).</li> </ul>

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Level of Review	Steps at the Entity Level	Nature and extent of work for significant line items
High <sup>6</sup>	<ul style="list-style-type: none"> <li>•Perform same steps under "Moderate" plus the following:</li> <li>•Coordinate or concur in significant planning decisions before major work is started.</li> </ul>	<ul style="list-style-type: none"> <li>•Perform same steps under "Moderate" plus the following:</li> <li>•Perform supplemental tests; compare conclusions (see paragraph 650.38).</li> <li>•Attend key meetings (especially those relating to estimates and judgments).</li> <li>•Discuss key items with auditee management, especially significant estimates and judgments.</li> <li>•Review other auditors' or specialists' workpapers for the line item (see paragraph 650.37).</li> </ul>

**REVIEW OF WORKPAPERS**

- .37 The extent of the auditor's review of the other auditors' or specialists' workpapers depends on the level of review and is a judgment based on the factors in paragraph 650.33. For the low level of review, the review of workpapers may be limited to key summary planning and completion workpapers. For the moderate level, the auditor generally should review more of the other auditors' or specialists' workpapers, especially those evidencing important decisions. For financial statement audits, these include the General Risk Analysis (GRA) or audit plan; the Account Risk Analysis (ARA) (or similar documentation) for significant accounts; the Specific Control Evaluations (SCE) (or similar documentation) for significant applications; the workpapers for high-risk accounts, estimates, and judgments; the analytical procedures; the audit completion checklist (or equivalent documentation); the audit summary memorandum; and the

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<sup>6</sup> Some situations may require significantly more work than the work shown for the high level. In those situations the auditor generally should perform significant supplemental tests; in some cases, the audit may be a joint audit.

summary of possible adjustments. For the high level of review, the auditor generally should review all of the items for the moderate level of review plus the important detail workpapers.

**SUPPLEMENTAL TESTS AND OTHER ADDITIONAL STEPS WHERE  
LEVEL OF REVIEW IS HIGH**

- .38 Where the level of review is high, the auditor generally should perform procedures in addition to reviewing workpapers. The auditor generally should discuss key items with auditee management, especially estimates and judgments; this discussion generally should be with the other auditors present. The auditor generally should attend the entrance and exit conferences and other key meetings held by other auditors or specialists.
- .39 Where the level of review is high, the auditor also generally should perform supplemental tests of the accounting records. These tests may be a selection of the other auditors' work or additional tests of the accounting records or both. To perform supplemental tests, the auditor should have access to the entity's personnel and their books and records. The auditor may coordinate access to the entity's personnel and records through the other auditor. The auditor and the other auditor also may jointly perform parts of a test, where the sample is planned jointly and the results are evaluated jointly. Although supplemental tests are usually performed only when the level of review is high, the auditor may decide to perform supplemental tests in other situations to learn about the entity, to help the other auditor plan future audits, or to help management correct problems.
- .40 Where the other auditor is an internal auditor, there is even more need for supplemental tests and supervision of the work. Accordingly, for internal auditors, supplemental tests generally should be of greater scope and generally should be done for material accounts.
- .41 The auditor generally should limit supplemental tests to line items that are both high combined risk and material to the financial statements the auditor is reporting on, especially in areas involving estimates and judgments or that users rely on extensively. The auditor's supplemental tests generally should include some items that the other auditor tested which appear to be exceptions to determine whether they were appropriately considered in formulating an opinion. The auditor should consider performing supplemental tests while the other auditors are at the auditee location and have access to records; this should minimize the inconvenience to the auditee.

- .42 It is not necessary to perform supplemental tests of the work of specialists. As indicated in AU 336.12, the auditor should understand the methods and assumptions used by the specialists, test the data provided to the specialists (extent of testing is based on risk and materiality), and evaluate whether the specialists' findings support the financial statement assertions. If the auditor believes the findings are unreasonable, the auditor should apply additional procedures and/or consider the need to obtain another specialist.

#### **SUBSEQUENT EVENTS REVIEW AND DATING OF THE AUDITOR'S REPORT**

- .43 The auditor's report should be dated when the auditor completes field work. If the other auditors' or specialists' report is dated earlier and the auditor's report does not mention the other auditors' report or concurs with the other auditors' report (example 2 of section 650 A), the subsequent events review should be updated to the date of the auditor's report. The auditor may ask the other auditors to update the subsequent events work to the required date, or the auditor may update the subsequent events review. Since this requires additional work, the auditor should attempt to complete field work when the other auditors complete field work. This issue should be considered in planning. It is not necessary to update the subsequent events review when the auditor issues a transmittal letter (example 1 of section 650 A).

#### **STAFFING THE REVIEW OF THE OTHER AUDITORS' OR SPECIALISTS' WORK**

- .44 When staffing the review, the auditor should consider that the other auditors or specialists may already have reviewed the work at several levels. The auditor's staff reviewing the work generally should have enough experience in financial statement auditing to understand the judgments that need to be made and to interact with the higher levels of the other audit organization. Most of the review generally should be done by or under the direction of an assistant director or a senior Band II (or similar levels in other organizations) who have significant experience in performing and reviewing financial statement audit work. Supplemental tests may be done by Band I or Band II staff members and supervised by an assistant director or a senior Band II. Primary review of the senior Band II's or assistant director's workpapers should be performed by the issue area director or an assistant director designated by the director. However, the

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assistant director or senior Band II should review the workpapers documenting supplemental tests performed by the Band I or Band II staff members. Because of the high level of financial statement auditing experience of staff members doing and reviewing this work, secondary review need be performed only in very high risk situations.

- .45 When the other auditors' work involves the review of computer controls, the auditor's review generally should be done by an information systems auditor in a management role. An audit assistant director should review the information systems auditor's workpapers to determine that related audit objectives were achieved.

**EVALUATING THE WORK**

- .46 After the auditor has completed the review of the other auditors' work, and, if necessary, the supplemental testing, the auditor should determine whether the work is sufficient and acceptable for the auditors' use. The auditor should summarize the evaluation in the audit summary memorandum.
- .47 Sometimes, the other auditors use methodologies or audit approaches that are different from those the auditor would have used. The auditor should recognize that auditing requires a great deal of professional judgment and that there often are alternative ways to achieve audit objectives. Thus, the auditor should first understand the basis for the nature, timing, and extent of the other auditors' procedures. The auditor should evaluate whether sufficient evidence has been obtained to meet the auditor's objectives; usually the auditor should consider materiality and combined risk for the particular line item in this evaluation. If the auditor has concerns about whether the other auditors' work provides sufficient evidence, the auditor should discuss the matter with the issue area director and the Director of Planning and Reporting or designee before formally discussing the issue with the other auditors.
- .48 The auditor should consider the significance of the test results to the audit of the financial statements the auditor is reporting on. As an example, the other auditors might have selected a nonstatistical sample and/or the sample size might be smaller than the sample size the auditor would have selected. The auditor might decide that this provides sufficient evidence in an area that is less material or is not risky. However, if the area is material or risk is high, the auditor might conclude that sufficient evidence has not been obtained and that additional work is needed. In this case,

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after consulting with the issue area director and the Director of Planning and Reporting or designee, the auditor generally should either ask the other auditors to perform additional tests or should perform the additional tests; if the additional testing is not done, the auditor should consider the effect of this scope limitation on the auditor's report. Since reaching this conclusion after the work is performed is inefficient, when the level of review is high, the auditor generally should coordinate or concur with major planning decisions before the work is started.

**DOCUMENTING THE REVIEW OF OTHER AUDITORS' OR SPECIALISTS' WORK**

- .49 Regardless of the type of reporting or the level of review, the auditor's workpapers should contain the following:
- an audit plan describing in general terms the work to be done, including the level of review for each line item, and the basis for the planned work,
  - a tailored audit program spelling out the nature, timing, and extent of the auditor's work; section 650 B contains an example audit program that may be tailored to specific situations,
  - memoranda documenting the conclusions reached at key meetings the auditor attends,
  - the results of the review of workpapers,
  - the audit completion checklist (if the other auditors do not prepare an audit completion checklist or similar document, the auditor should prepare one) (this is not required for specialists), and
  - a summary memo for the auditor's work.
- .50 In addition, where the auditor performs supplemental tests of the accounting records, the auditor's workpapers should contain a description of the work (this may be a list of the documents the auditor examined or tick marks on a copy of the other auditors' workpapers if that is the basis for the selection) and the auditor's conclusion. It is not necessary to retain copies of the documents examined.

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- .51 It is important to distinguish between the auditor's responsibilities to review the workpapers of other auditors versus what the auditor might copy and retain from those workpapers. The auditor should use judgment in deciding which of the other auditors' or specialists' workpapers to copy and retain. Copies of documents readily available from the other auditors or the auditee (such as invoices and contracts) need not be retained. The auditor generally should retain:
- the other auditors' report and management letter,
  - the final financial statements and notes,
  - unadjusted misstatements (known and likely), the other auditors' estimate of the imprecision of audit procedures, and comparison with materiality,
  - workpapers evidencing significant judgments and conclusions,
  - the audit summary memorandum, and
  - the audit completion checklist.
- .52 The auditor may decide to retain other workpapers if they might be useful in understanding the entity, training staff members, planning future audits, reviewing the workpapers, or writing the report. Workpapers in this category include the entity profile (or similar document), the general risk analysis or audit plan, the audit programs, the ARA and SCE forms (or similar documents), the trial balance or lead schedules, the management representation letter, and the attorney representation letter. Auditors often find it helpful to keep copies of documents in case questions are raised in review, but not to include those copies in the workpapers unless they are needed to document the work performed. Documents should not be retained if they are no longer needed. The audit plan or audit program may indicate which documents to retain.

**USING INTERNAL AUDIT STAFF TO PROVIDE DIRECT ASSISTANCE TO THE AUDITOR**

- .53 Sometimes the auditor or the auditee requests that internal auditors provide direct assistance to the auditor. Before this is done, the auditor should be satisfied with the independence, objectivity, and qualifications of the staff assigned to do the work requested. AU 322.27 indicates that in these situations "the auditor should inform the internal auditors of their responsibilities, the objectives of the procedures they are to perform, and matters that may affect the nature, timing, and extent of procedures.... The auditor should also inform the internal auditors that all significant accounting and auditing issues identified during the audit should be

brought to the auditor's attention." The auditor should direct, review, test, and evaluate the work done by internal auditors to the extent appropriate based on the auditor's evaluation of risk, materiality, objectivity, and qualifications.

#### **USING AGENCY SPECIALISTS**

- .54 Many agencies have actuaries, security specialists, statistical specialists, and other specialists whose work the auditor would like to use. Unless these specialists are part of an organization that is organizationally independent or under contract to such an organization, the auditor should evaluate their work as the work of any auditee employee. The auditor generally should use specialists in the audit organization or contract for outside specialists to develop and implement appropriate tests.

#### **MULTIPLE LEVELS OF OTHER AUDITORS**

- .55 Sometimes there are several levels of other auditors. For example, an OIG might use the work of an internal audit group. GAO may then use the work of the OIG. As another example, the OIG might hire a CPA firm to do an audit. The OIG may issue a report concurring with the CPA's report or a letter transmitting the CPA's report; GAO may then use the work of the OIG. As a third example, the OIG might use a single auditor's report done by a CPA firm or a state auditor.
- .56 In these situations, each audit organization should follow the guidance in section 650, which summarizes the guidance in the auditing standards. In these examples, the OIG should evaluate the independence (see paragraphs 650.09-.20) and qualifications of the other auditors (see paragraphs 650.21-.33), should review the workpapers (see paragraph 650.37), and may need to perform supplemental tests of key accounts (see paragraphs 650.38-.42) (depending on the level of review deemed appropriate). In the first example in paragraph 650.55, the OIG should not refer to the internal audit work in its report. In all three examples, GAO should evaluate the qualifications of the OIG organization (by reading the peer review report, the letter of comments, and the audit organization's response as described in paragraph 650.25) and the team doing the monitoring, should review the OIG's workpapers, and may perform supplemental tests. In this example, where GAO finds that the OIG has done and documented adequate work including supplemental tests, GAO's supplemental tests would be quite limited--perhaps a walkthrough of work done in high-risk and material areas. Often, GAO may attend fewer meetings than the OIG staff attends and



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would concentrate the review on the OIG's workpapers. GAO may then issue a report on the financial statements.

- .57 Because of the potential for inefficiency, there should be close coordination between the various auditors. The OIG and GAO may perform the review jointly. Sometimes, a memorandum of understanding might be useful in documenting responsibilities. A chart that describes the review to be done by each organization may be useful. The following is a useful format for this chart (with more detail added as necessary under each phase):

Phase	Other Auditor Procedures	OIG Review Procedures	GAO Review Procedures
Planning			
Internal Control			
Testing			
Reporting			

**REPORTS ON OTHER AUDITORS' WORK**

- .58 Auditors are sometimes asked to issue a report evaluating work done by other auditors in a situation where the auditor is not using the work of the other auditors. For example, GAO might be asked to evaluate an audit done by a CPA firm or OIG. While AU 543, 322 and 336 are not directed towards these situations, the guidance in FAM 650 is helpful in planning and reporting on these assignments.
- .59 The auditors generally should issue a report concurring with the other auditors' conclusions only when the auditors have performed enough work at the high level of review (see FAM 650 A example 2). Where the auditors' work is limited to review of workpapers, the report generally should state that the auditors found no instances where the other auditor did not comply, in all material respects, with GAGAS (similar to Example 1 in FAM 650 A).

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### 650 A - EXAMPLE REPORTS WHEN USING THE WORK OF OTHERS

#### EXAMPLE 1 -- TRANSMITTAL LETTER

We contracted with the independent certified public accounting firm of [name of firm] to audit the financial statements of [name of entity] as of [date] and for the year then ended. The contract required that the audit be done in accordance with generally accepted government auditing standards, OMB's Bulletin, "Audit Requirements for Federal Financial Statements," and GAO's Financial Audit Manual.

In its audit of [name of entity], [name of CPA firm] found:

- The Principal Statements were reliable in all material respects,
- Management fairly stated that internal controls in place on [date of financial statements] were effective<sup>1</sup> in safeguarding assets from material loss, assuring material compliance with laws governing the use of budget authority and with other relevant laws and regulations, and assuring that there were no material misstatements in the Principal Statements, and
- No reportable noncompliance with laws and regulations it tested.

[Name of CPA firm] also described the following significant matters:

[Discuss significant matters].

In connection with the contract, we reviewed [name of CPA firm]'s report and related workpapers and inquired of their representatives. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on [name of entity]'s financial statements

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<sup>1</sup> If management did not make an assertion, change this to "there were no material weaknesses in internal controls" (and include a definition of material weakness).

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or on management's assertion about the effectiveness of its internal controls<sup>2</sup>; or conclusions on compliance with laws and regulations. [Name of CPA firm] is responsible for the attached auditor's report dated [date] and the conclusions expressed in the report. However, our review disclosed no instances where [name of CPA firm] did not comply, in all material respects, with generally accepted government auditing standards.

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<sup>2</sup> If management did not make an assertion about the effectiveness of internal control change this to read "conclusions about the effectiveness of internal control."

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**EXAMPLE 2 -- REPORT CONCURRING WITH OTHER AUDITORS' OPINION (PRESENTING REPORT OF OTHER AUDITORS AFTER THE AUDITOR'S REPORT)<sup>3</sup>**

Under [citation of statute], we are responsible for auditing [name of entity]. To help fulfill these responsibilities, we contracted with [name of firm], an independent certified public accounting firm. [Name of firm]'s report dated [date] is attached.

We concur with [name of firm]'s report that indicated:

- The Principal Statements were reliable in all material respects,
- Management fairly stated that internal controls in place on [date of financial statements] were effective in safeguarding assets from material loss, assuring material compliance with laws governing the use of budget authority and with other relevant laws and regulations, and assuring that there were no material misstatements in the Principal Statements, and
- No reportable noncompliance with laws and regulations tested.

**OPINION ON FINANCIAL STATEMENTS**

We concur with [name of firm]'s opinion that the [name of entity]'s fiscal years 19X2 and 19X1 financial statements and accompanying notes present fairly, in all material respects, in conformity with a comprehensive basis of accounting other than generally accepted accounting principles, as described in note X, [name of entity's]

- assets, liabilities, and net position,
- net costs,
- changes in net position,
- budgetary resources,

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<sup>3</sup> This example assumes the other auditor reported on management's assertions on internal control. If the other auditor reported under GAGAS, appropriate changes should be made.

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### 650 A - Example Reports When Using the Work of Others

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- reconciliation of net costs to budgetary obligations, and
- custodial activities (if applicable).<sup>4</sup>

[or if entity follows generally accepted accounting principles for commercial entities: We concur with [name of firm]'s opinion that the [name of entity]'s fiscal years 19X2 and 19X1 financial statements and accompanying notes present fairly, in all material respects, [name of entity]'s financial position as of September 30, 19X2 and 19X1, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.]

#### OPINION ON MANAGEMENT'S ASSERTION ABOUT THE EFFECTIVENESS OF INTERNAL CONTROLS

We concur with [name of firm]'s opinion that management of [entity] fairly stated that those controls in place on [end of fiscal year] provided reasonable assurance that losses, noncompliance, or misstatements material in relation to the Principal Statements would be prevented or detected on a timely basis. [Name of entity] made its assertion based upon criteria established under the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and the Office of Management and Budget Circular A-123, Management Accountability and Control [or other control criteria issued under due process procedures used by the agency, such as Internal Control - Integrated Framework, by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission and the Addendum to "Reporting to External Parties," for safeguarding of assets against unauthorized acquisition, use, or disposition; compliance with laws and regulations; and financial reporting controls].

[Name of firm] did not evaluate all internal controls relevant to operating objectives as broadly defined by FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. [Name of firm] limited its internal control testing to those controls necessary to achieve the objectives outlined in its opinion on management's assertion about the effectiveness of internal controls. Because of inherent limitations in any internal control structure, losses, noncompliance, or misstatements may nevertheless occur and not be detected. [Name of firm] also cautions

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<sup>4</sup> This list assumes the entity has adopted recent Statements of Federal Financial Accounting Standards and OMB Bulletin 97-01. If the entity has not adopted this guidance, modify the list to reflect the statements presented.

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that projecting its evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

#### COMPLIANCE WITH LAWS AND REGULATIONS

[Name of firm] also reported that the results of its tests of [name of entity]'s compliance with selected provisions of certain laws and regulations disclosed no instances of noncompliance that would be reportable under generally accepted government auditing standards. It further stated that the objective of its audit of [name of entity]'s financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, [name of firm] did not express such an opinion. We concur with [name of firm]'s conclusions regarding [name of entity]'s compliance with laws and regulations.

#### OBJECTIVES, SCOPE, AND METHODOLOGY

Management is responsible for

- preparing the annual financial statement in conformity with the basis of accounting described in note X [or generally accepted accounting principles];
- establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of FMFIA are met; and
- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the Principal Statements are reliable (free of material misstatement and presented fairly, in all material respects, in conformity with the basis of accounting described in note X [or generally accepted accounting principles]), and (2) management's assertion about the effectiveness of internal controls is fairly stated, in all material respects, based upon criteria established under the Federal Managers' Financial Integrity Act of 1982 and the Office of Management and Budget Circular A-123, Management Accountability and Control [or other control criteria issued under due process procedures used by the agency, such as Internal Control - Integrated Framework, by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission and the Addendum to "Reporting to

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External Parties," for safeguarding of assets against unauthorized acquisition, use, or disposition; compliance with laws and regulations; and financial reporting controls]. We are also responsible for testing compliance with selected provisions of laws and regulations and for performing limited procedures with respect to certain other information appearing in this annual financial statement.

To help fulfill these responsibilities, we contracted with the independent certified public accounting (CPA) firm of [name of firm] to perform a financial statement audit in accordance with generally accepted government auditing standards, OMB's Bulletin "Audit Requirements for Federal Financial Statements," and GAO's Financial Audit Manual. We evaluated the nature, timing, and extent of the work, monitored progress throughout the audit, reviewed the workpapers of the CPA firm, met with partners and staff members, evaluated the key judgments, met with officials of [entity being audited], performed independent tests of the accounting records, and performed other procedures we deemed appropriate in the circumstances. The audit was conducted in accordance with generally accepted government auditing standards.

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### **650 B -      EXAMPLE AUDIT PROGRAM FOR USING THE WORK OF OTHERS**

This program is appropriate when using the work of other auditors to perform a full or partial audit of financial statements or the work of specialists. The steps should be tailored to the circumstances and the planned level of review by deleting inapplicable steps, modifying the steps, and adding additional steps. When the other auditors or specialists have done only part of an audit, many of the steps may be deleted. Many of the steps also may be deleted for the low level of review or when the auditor plans to issue a transmittal letter. The program consists of three sections: evaluating independence, objectivity, and qualifications for CPA firms and specialists; evaluating independence, objectivity, and qualifications for government auditors; and monitoring the work (for all types of other auditors and for specialists). The auditor generally should use one of the first two sections and the third section. A separate form generally should be used for each other auditor or specialist.

Entity: \_\_\_\_\_

Job Code: \_\_\_\_\_

Period of Audit: \_\_\_\_\_

Step	Done By/Date	W/P Ref
<b>EVALUATING INDEPENDENCE, OBJECTIVITY, AND QUALIFICATIONS FOR CPA FIRMS AND SPECIALISTS</b>  1. Read the statement of work or request for proposal to determine whether this contracting document provides sufficient background on the auditee and indicates the objectives of the work, what the contractor should include in its proposal, how proposals will be evaluated, and how the report will be used.		



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Step	Done By/Date	W/P Ref
<u>Independence and objectivity:</u>		
2. Determine whether proposal of selected firm includes a representation as to the firm's independence and objectivity.		
3. If proposal does not include a representation as to independence and objectivity, obtain written representation from firm.		
<u>Qualifications:</u>		
4. Read proposal of selected firm. In reviewing proposal, evaluate the overall qualifications of the team performing the work. Review resumes and consider for key team members their educational level, professional certifications, and professional experience (including whether key team members have current knowledge and experience in the type of work done).		
5. If selected firm is not on GAO master contract or is not known to the auditor, review peer review report, letter of comments and response letter.		
6. Communicate orally or in writing with the other auditors to be satisfied they understand the requirements, the timetable, and the report or letter the auditor expects to issue.		

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Step	Done By/Date	W/P Ref
<p><b>EVALUATING INDEPENDENCE, OBJECTIVITY, AND QUALIFICATIONS FOR GOVERNMENT AUDITORS</b></p> <p><u>Independence and objectivity:</u></p> <p>1. For all government audit organizations, obtain written representation from the head of the audit organization that the audit organization and the individual auditors are independent of the entity being audited.</p>		

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**Planning and General****650 B - Example Audit Program for Using the Work of Others**

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Step	Done By/Date	W/P Ref
<p>2. Determine whether the audit organization meets ONE of the following criteria:</p> <ul style="list-style-type: none"><li>· the head of the audit organization is appointed by the chief executive, but is confirmed by, reports the results of audits to, and is accountable to the legislative body;</li><li>· the audit organization is auditing a level of government different from the level of the audit organization;</li><li>· the audit organization is in a different branch of government from the organization being audited;</li><li>· the head of the audit organization is elected by the citizens; or</li><li>· the head of the audit organization is elected or appointed by a legislative body and reports the results of audits to and is accountable to the legislative body.</li></ul> <p>If the organization meets one of these criteria, no further work is needed unless the auditor finds contrary evidence as to independence and objectivity in other parts of the audit. Indicate which criterion is met; document the evaluation of any other evidence obtained. (Go to step 6.)</p>		

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**650 B - Example Audit Program for Using the Work of Others**

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Step	Done By/Date	W/P Ref
<p>3. If the audit organization does not meet any of the criteria in step 2, determine whether it meets ALL of the following criteria:</p> <ul style="list-style-type: none"> <li>· Statutory recognition--the audit organization is recognized by law and cannot as a practical matter be readily abolished by the agency without the direct or indirect concurrence of the legislature;</li> <li>· Outside concurrence with appointment and removal of head of audit organization--the head of the audit organization is appointed and as a practical matter cannot be removed without the direct or indirect concurrence of parties outside the agency;</li> <li>· Reporting to agency head--the head of the audit organization reports directly to the agency head;</li> <li>· Government auditing standards--the audit organization is required by law or regulation to follow GAGAS in performing the audits for which the auditor wants to use the other auditors' work; and</li> <li>· Accountability to the public--the audit organization's mission statement, objectives, overall annual audit strategy, and audit reports are readily available to the public (except for specific reports classified for security purposes or otherwise restricted by law or regulation).</li> </ul>		

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**Planning and General****650 B - Example Audit Program for Using the Work of Others**

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Step	Done By/Date	W/P Ref
4. Perform inquiry and walkthrough procedures to test how the organization meets all of the criteria in step 3. Document conclusions and supporting rationale as to independence and objectivity of the audit organization. (Go to step 6.)		
5. If the audit organization does not meet the criteria in step 3, determine whether the organization is an independent internal audit organization under GAGAS and IIA standards. Determine whether the internal auditors are independent of the activities they audit. Consider the organizational status of the audit organization director, including: <ul style="list-style-type: none"><li>· whether the director reports to a person of sufficient status so that there is broad audit coverage and adequate consideration and action taken on findings and recommendations;</li><li>· whether the director has access to and reports regularly to the agency head or deputy, the board of directors, the audit committee, or similar body; and</li><li>· whether the board, the audit committee, or the agency head oversees employment decisions related to the director.</li></ul>		

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**Planning and General**  
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Step	Done By/Date	W/P Ref
<p>6. For all government audit organizations, obtain an understanding of the organization's policies to enhance the objectivity of individual auditors, including:</p> <ul style="list-style-type: none"> <li>· policies to prohibit auditors from auditing areas where relatives are employed,</li> <li>· policies to prohibit auditors from auditing areas where they were recently assigned or are scheduled to be assigned after they complete their tour of duty in auditing, and</li> <li>· policies to require representations as to objectivity and lack of conflicts of interest from each auditor.</li> </ul>		
<p>7. Prepare memorandum documenting work performed and conclusions as to independence and objectivity. Have memorandum approved by issue area director and Director of Planning and Reporting or designee.</p>		
<p><u>Qualifications:</u></p> <p>8. Read the latest peer review report, letter of comments, and the audit organization's response. Note date of report and whether it is unqualified. If report is recent (usually within the past year) and unqualified, go to step 12.</p>		
<p>9. If the peer review is not recent, review the latest self-inspection report, if any, and the organization's response. Note date of report and whether it is unqualified. If the inspection is recent (usually within the past year) and unqualified, go to step 12.</p>		

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**Planning and General****650 B - Example Audit Program for Using the Work of Others**

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Step	Done By/Date	W/P Ref
10. If the organization has not had a recent peer review or inspection, obtain an overview of the important policies and procedures in the functional areas (through interviews of management and staff and through reading the summary quality control document, if any). Consult with Director of Planning and Reporting or designee before performing this step.		
11. If the peer review or inspection report was qualified or adverse, determine whether the quality control system has since been strengthened. Review the organization's action plan for strengthening its quality control system. Consider the effect of remaining weaknesses in determining the level of review.		
12. Inquire how the audit organization determined the staffing for the audit. Evaluate the overall qualifications of the team performing the work. Review resumes and consider for key team members: <ul style="list-style-type: none"><li>• Educational level, professional certifications, and professional experience.</li><li>• Continuing professional education, especially whether key team members have received training and have current knowledge in the type of work done.</li><li>• Supervision and review of work.</li><li>• Whether the audit team has adequate sources for consultation and use of specialists, especially for audit sampling, audit methodology, and review of computer controls.</li><li>• Quality of workpapers, reports, and recommendations.</li></ul>		

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**Planning and General****650 B - Example Audit Program for Using the Work of Others**

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Step	Done By/Date	W/P Ref
13. If the auditor has significant concerns about the audit organization's or team's objectivity or qualifications, the auditor, in developing the audit plan, may either: <ul style="list-style-type: none"><li>· ask the audit organization to substitute more objective or highly qualified staff members;</li><li>· do the work, treating any work done by the other auditors as prepared by the auditee;</li><li>· divide the work so that the other auditors test the areas where they are qualified and the auditor does the rest of the audit; or</li><li>· issue a disclaimer of opinion.</li></ul>		



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**Planning and General****650 B - Example Audit Program for Using the Work of Others**

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Step	Done By/Date	W/P Ref
<b>MONITORING THE WORK (FOR ALL TYPES OF OTHER AUDITORS AND FOR SPECIALISTS)</b>		
1. Develop a plan for reviewing the other auditors' or specialists' work and, if necessary, performing supplemental tests of the accounting records. Determine the level of review for each line item.		
2. Monitor the planning of the audit (FOR MODERATE AND HIGH LEVEL OF REVIEW). <ul style="list-style-type: none"><li>• Attend entrance meeting and key planning meetings.</li><li>• Review the entity profile.</li><li>• Review the General Risk Analysis (and audit plan if prepared as a separate document) (FOR ALL LEVELS OF REVIEW).</li><li>• Review the determination of planning materiality and design materiality.</li><li>• Have an information systems auditor review the information resource management background information and the workpapers for review of general and application controls.</li><li>• Document line items and applications to be reviewed.</li><li>• For each such line item, review the Account Risk Analyses, the Specific Control Analyses, the cycle flowcharts, the cycle memoranda, the determination of test materiality, and the audit program.</li></ul>		

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**Planning and General****650 B - Example Audit Program for Using the Work of Others**

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Step	Done By/Date	W/P Ref
<p>3. Monitor the execution of the audit (for reports following example 2 of section 650 A or section 595 A and/or B WHERE LEVEL OF REVIEW IS HIGH).</p> <ul style="list-style-type: none"><li>· Attend key meetings, especially those discussing high-risk areas, significant estimates and judgments, and the other auditors' conclusions.</li><li>· Discuss key items with auditee management, especially significant estimates and judgments.</li><li>· Perform supplemental tests of the accounting records.<ul style="list-style-type: none"><li>.. Generally do for high risk and material line items, especially in areas involving estimates and judgments or that users rely on extensively.</li><li>.. Generally do while the other auditors are at the auditee location and have access to the records.</li><li>.. Examine some of the same documents the other auditors examined or make own selection or both.</li><li>.. Compare results of other auditors' work to results of supplemental tests.</li><li>.. Document scope of supplemental testing and conclusions reached.</li></ul></li></ul>		

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**Planning and General****650 B - Example Audit Program for Using the Work of Others**

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Step	Done By/Date	W/P Ref
4. Monitor the completion of the audit (items with * are usually not necessary for LOW level of review) <ul style="list-style-type: none"><li>· Review the overall analytical procedures.</li><li>· *Review the key workpapers for the line item and for completing the audit; consider evaluations of sample results. (For example, were projections appropriate? Was appropriate action taken based on sample results?)</li><li>· *Determine whether the subsequent events review was updated to the date of the auditor's report.</li><li>· Review the audit summary memorandum, conclusions about line items, and summary of possible adjustments.</li><li>· Review the audit completion checklist (or equivalent document).</li><li>· Review the management representation letter and the legal representation letter.</li><li>· *Attend key exit conference(s).</li><li>· Read the other auditors' report, the financial statements, the notes, the other accompanying information, and management's response.</li></ul>		
5. Prepare summary memorandum.		
6. Write the auditor's report or transmittal letter.		

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# SECTION 700

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## Internal Controls

(This section is reserved.)

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# SECTION 800

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Compliance

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## **Compliance**

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**801 - RESERVED**

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## Compliance

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### 802 - GENERAL COMPLIANCE CHECKLIST

- .01 The compliance testing package is comprised of a General Compliance Questionnaire for identifying laws and regulations for compliance testing and supplements for the laws OMB requires auditors to consider during federal financial audits. The compliance supplements provide detailed guidance for assessing the effectiveness of compliance controls and testing compliance with the significant provisions of each law.
- .02 The General Compliance Checklist (Form 802) should be completed for all federal financial audits. If an individual law is considered to be significant for purposes of compliance testing, the related supplement should be completed. Supplements should be completed only for laws identified for compliance testing on the General Compliance Checklist. Use of these documents is described below.
- .03 To fully understand and evaluate compliance controls, the auditor should also follow the guidance in FAM 260 on assessing the control environment and in FAM 320 on understanding internal control systems. The FAM also provides additional guidance on compliance considerations for all audit phases.

#### INSTRUCTIONS FOR GENERAL COMPLIANCE CHECKLIST

- .04 The checklist contains a summary of each law included in OMB guidance on federal financial statement audits. The auditor should use this checklist to determine which of these laws are considered to be significant for purposes of testing compliance as discussed in FAM 245. The auditor should indicate whether or not each law meets the criteria for significance by placing a checkmark in the appropriate column (yes or no).
- .05 The auditor may need to use estimates or interim information in the preliminary column. The final amounts (based on the audited amounts or the final amounts of available budget authority) are used to determine whether all laws that would be significant in quantitative terms have been identified for control and compliance testing. The sources of all amounts included in this checklist should be documented. If the law is considered to be significant from a qualitative standpoint, the reasons for this conclusion should be documented.

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**802 - General Compliance Checklist**

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**.06 Supplements to the General Compliance Checklist (Form 802)**

<u>Law</u>	<u>Supplement number</u>
Antideficiency Act	803
Closing Appropriation Accounts (Selected Provisions of the National Defense Authorization Act for Fiscal Year 1991)	804
Budget Accounting and Procedures Act of 1950	805
Chief Financial Officers Act of 1990	806
Federal Managers' Financial Integrity Act of 1982	807
Federal Credit Reform Act of 1990	808
Federal Claims Collection Act, as amended by the Debt Collection Act of 1982	809
Prompt Payment Act	810
Single Audit Act of 1984	811
Civil Service Reform Act of 1978, as amended, and Fair Labor Standards Act	812
Civil Service Retirement Act of 1930	813
Federal Employees Health Benefits Act of 1959	814
Federal Employee's Group Life Insurance Act of 1980	815
Federal Employees' Compensation Act	816

Note: The Federal Debt Collection Procedures Act of 1990 was included in OMB Bulletin 93-06 in error. Further consideration for compliance testing is not necessary.



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**INSTRUCTIONS FOR COMPLIANCE SUPPLEMENTS**

- .07 Each compliance supplement is comprised of (1) a compliance summary, (2) a compliance audit program, and (3) notes.

Compliance Summary

- .08 For each law identified for compliance testing on the General Compliance Checklist, the auditor should complete the related compliance summary. The compliance summary is designed to assist the auditor in designing compliance control tests and summarizing the results of compliance control tests and compliance tests for reporting the results of the work performed.
- .09 The first column contains a description of the specific provisions of the law that have been identified for compliance testing, the type of provision, and the reference to the law.
- .10 The second column contains the objective related to the specific provision to be used for both compliance control and compliance testing.
- .11 The auditor should identify the control techniques that the entity has in place to achieve each objective and document the control technique in the third column. If the entity does not have a control technique that achieves the objective, the auditor should document this condition in the third column.
- .12 The fourth column is used to indicate whether the control technique is EDP related as described in FAM 270.04.
- .13 The auditor should design control tests to determine whether the control techniques that have been identified in the third column are in place and operating effectively. A control technique is considered to be effective if it achieves the control objective. The control testing program and the control tests should be documented in the workpapers. The results of these tests and the auditor's conclusions on the effectiveness of the compliance controls should be documented in the fifth column of the Compliance Summary. A reference to supporting workpapers should be included in this column.

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- .14 Compliance tests should be performed using the related Compliance Audit Program as described below. The results of the compliance tests should be indicated in the last column of the Compliance Summary along with a reference to the supporting workpapers.

Compliance Audit Program

- .15 A compliance audit program has been developed for the provisions identified on the related compliance summary for each law. For each law identified for compliance testing on the General Compliance Checklist, the auditor should perform each step of the related compliance audit program. The initials of the auditor(s) performing each procedure should be included in the "performed by" column of the compliance audit program. A reference to the workpapers documenting the work performed for each step should be included in the last column of the compliance audit program.

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Description of Law			Yes	No
<b>Antideficiency Act</b>  This law imposes restrictions on the amounts of budgetary authority that may be obligated or expended. As discussed in FAM 250, the auditor should obtain information on the entity's budget authority, from sources such as appropriation legislation, and identify all legally binding restrictions on budget execution.  Do the amounts of any legally binding budget execution restrictions on budget authority in effect during the audit period exceed planning materiality or are provisions of the Antideficiency Act otherwise considered to be significant?				
	<u>Preliminary</u>	<u>Final</u>		
Total budget authority	_____	_____		
Planning materiality	_____	_____		
If yes, complete compliance supplement 803.				

**Compliance**  
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Description of Law	Yes	No									
<p><b>Closing Appropriation Accounts (Selected Provisions of the National Defense Authorization Act for Fiscal Year 1991)</b></p> <p>This law establishes a limitation on the time period that fixed appropriation accounts are available for adjustment and payment of unliquidated obligations. After this period, the accounts are closed and the balances cancelled, although the entity must continue to track these amounts. Additionally, the law restricts the amount of payments for unliquidated obligations relating to closed accounts that may be paid out of current year appropriations. Such payments cannot exceed (1) the amount that would have been available in the cancelled appropriation or (2) 1% of a current year appropriation available for the same purpose.</p> <p>Does the amount of total unliquidated obligations in closed accounts at the beginning of the fiscal year under audit exceed planning materiality or are provisions related to the closing of appropriation accounts otherwise considered to be significant?</p> <p>(Particularly in the early years of implementing this law (FY91-95), the auditor should consider the sensitivity of these provisions to determine whether to test compliance when amounts are not quantitatively significant.)</p> <table> <thead> <tr> <th></th> <th><u>Preliminary</u></th> <th><u>Final</u></th> </tr> </thead> <tbody> <tr> <td>Total amount of unliquidated obligations in closed accounts at beginning of fiscal year under audit</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Planning materiality</td> <td>_____</td> <td>_____</td> </tr> </tbody> </table> <p>If yes, complete compliance supplement 804.</p>		<u>Preliminary</u>	<u>Final</u>	Total amount of unliquidated obligations in closed accounts at beginning of fiscal year under audit	_____	_____	Planning materiality	_____	_____		
	<u>Preliminary</u>	<u>Final</u>									
Total amount of unliquidated obligations in closed accounts at beginning of fiscal year under audit	_____	_____									
Planning materiality	_____	_____									

## Compliance

### 802 - General Compliance Checklist

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Description of Law	Yes	No
<p><b>Budget Accounting and Procedures Act of 1950</b></p> <p>This law gives the Comptroller General the authority to set the requirements for the basis of accounting that shall be used by the entity. To carry out his responsibilities under this law, the Comptroller General, in October of 1990, entered into an agreement with the Department of Treasury and the Office of Management and Budget establishing the Federal Accounting Standards Advisory Board (FASAB). See note 1 on Page 805-5. The law requires the entity to provide information requested by the Secretary of the Treasury on the financial operations of the entity. Other requirements of this law are addressed in the procedures for testing compliance with the Financial Managers' Financial Integrity Act of 1982 and the Chief Financial Officers Act of 1990.</p> <p>Is the entity subject to the Budget Accounting and Procedures Act of 1950? (Executive branch agencies are subject to the Act.)</p> <p>If yes, complete compliance supplement 805.</p>	<p>_____</p>	<p>_____</p>

## Compliance

### 802 - General Compliance Checklist

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Description of Law	Yes	No
<p><b>Chief Financial Officers Act of 1990</b></p> <p>This law establishes the position of chief financial officer (CFO) in various federal entities. The law requires that the CFO develop and maintain the entity's accounting and financial management system, including financial reporting and internal controls, and sets forth various requirements for this system. Additionally, the law requires the preparation of an annual report on the entity and a financial audit for certain entities.</p> <p>Is the entity subject to the Chief Financial Officers Act of 1990?</p> <p>(Generally, executive branch agencies and government corporations are subject to the act.)</p> <p>If yes, complete compliance supplement 806.</p>	<p>_____</p>	<p>_____</p>

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**Compliance**  
**802 - General Compliance Checklist**

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Description of Law	Yes	No
<p><b>Federal Managers' Financial Integrity Act of 1982 (FMFIA)</b></p> <p>This law requires entities to conduct an evaluation and prepare a report on whether the systems of accounting and internal controls comply with the requirements in the law. The report should include any material weakness identified in the systems and should describe the plans and schedule for correcting the weakness. The entity is also required to report on whether its accounting systems conform to the principles, standards, and requirements prescribed by the Comptroller General. These reports are to be prepared by December 31 of each year for review by the President and Congress.</p> <p>If the audit entity is subject to FMFIA requirements (or is part of an entity subject to FMFIA requirements), the auditor should test compliance with these provisions.</p> <p>Is the reporting entity subject to FMFIA reporting requirements either directly or as part of a larger entity?</p> <p>(Executive branch agencies are subject to the act. The CFO Act requires government corporations to file reports that are consistent with FMFIA requirements (31 USC 9106).</p> <p>If yes, complete compliance supplement 807.</p> <p>Note: These procedures are performed for the purpose of testing compliance with FMFIA. These procedures differ from the procedures described in FAM 260.23 that relate to understanding the FMFIA process for the purpose of understanding the control environment.</p>	<p>_____</p>	<p>_____</p>

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**Compliance**  
**802 - General Compliance Checklist**

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Description of Law	Yes	No
<p><b>Federal Credit Reform Act of 1990 (FCRA)</b></p> <p>This law contains numerous provisions relating to the recording of activity related to direct loans, loan guarantees, and related modifications for budget accounting purposes. The law restricts the amount of obligations for direct loans and loan guarantees that may be incurred on or after October 1, 1991 to the amount of available budget authority.</p> <p>Does the entity's budget authority available during the audit period for direct loan obligations, loan guarantee commitments, or any related modifications exceed planning materiality or are provisions of the FCRA of 1990 otherwise considered to be significant?</p> <div style="text-align: right; margin-right: 100px;"> <u>Preliminary</u>                      <u>Final</u> </div> <p>Total appropriations or other budget authority available during the fiscal year for FCRA activities (direct loans, loan guarantees, and related modifications) _____</p> <p>Planning materiality _____</p> <p>If yes, complete compliance supplement 808.</p>	<p>_____</p>	<p>_____</p>



**Compliance**  
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Description of Law	Yes	No									
<p><b>Federal Claims Collection Act, as amended by the Debt Collection Act of 1982</b></p> <p>This law addresses the collection of amounts owed to the federal government. Interest generally accrues from the date that a notice that states the amount due and the interest policies is first mailed to the debtor. Interest generally accrues at a rate established by the Secretary of the Treasury. Administrative costs and penalties shall also be charged.</p> <p>Does the cumulative amount of receivables created during the audit period that are subject to the act exceed planning materiality or are provisions of the Federal Claims Collection Act, as amended by the Debt Collection Act, otherwise considered to be significant?</p> <p>Note: Provisions of the law concerning the charging of interest do not apply to amounts payable to the entity under the Internal Revenue Code, the Social Security Act, or tariff laws. Those laws contain specific provisions for these amounts.</p> <table> <thead> <tr> <th></th> <th><u>Preliminary</u></th> <th><u>Final</u></th> </tr> </thead> <tbody> <tr> <td>Cumulative amount of receivables created during the audit period that are subject to the Federal Claims and Debt Collection Acts</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Planning materiality</td> <td>_____</td> <td>_____</td> </tr> </tbody> </table> <p>If yes, complete compliance supplement 809.</p>		<u>Preliminary</u>	<u>Final</u>	Cumulative amount of receivables created during the audit period that are subject to the Federal Claims and Debt Collection Acts	_____	_____	Planning materiality	_____	_____	_____	_____
	<u>Preliminary</u>	<u>Final</u>									
Cumulative amount of receivables created during the audit period that are subject to the Federal Claims and Debt Collection Acts	_____	_____									
Planning materiality	_____	_____									

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**Compliance**  
**802 - General Compliance Checklist**

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Description of Law	Yes	No
<p><b>Prompt Payment Act</b></p> <p>The Prompt Payment Act requires federal entities to make payments for property or services by the payment due date specified in the related contract or, if a payment date is not specified in the contract, generally 30 days after the invoice for the amount due is received. If payments are not made within the appropriate time period, the entity shall pay an interest penalty. Additionally, discounts offered by vendors may only be taken during the specified period. If they are taken after the time period has expired, an interest penalty shall be paid.</p> <p>Do the entity's payments for property or services subject to the Prompt Payment Act for the audit period exceed planning materiality or are provisions of the Prompt Payment Act otherwise considered to be significant?</p> <div style="display: flex; justify-content: space-around; margin-top: 20px;"> <div style="text-align: center;"> <u>Preliminary</u> </div> <div style="text-align: center;"> <u>Final</u> </div> </div> <div style="margin-top: 20px;"> <p>Amount of payments made for property and services subject to the Prompt Payment Act      _____</p> <p>Planning materiality      _____</p> </div> <p>If yes, complete compliance supplement 810.</p>	<p>_____</p>	<p>_____</p>

**Compliance**  
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Description of Law	Yes	No									
<p><b>Single Audit Act of 1984</b></p> <p>This law addresses the audit of state and local governments and other bodies that receive funds under federal financial assistance programs (grantees). The law specifies the responsibilities of the cognizant agency (the federal entity assigned responsibility for implementing the requirements of this law for a particular grantee). These responsibilities include ensuring that audits of the grantees are performed in accordance with the requirements set forth in the law and that audit reports and corrective action plans that arise as a result of the audits are transmitted to the appropriate officials.</p> <p>Does the entity's expense for the current audit period (or for either of the two preceding fiscal years) for federal funds provided to grantees under federal financial assistance programs for which the entity is the cognizant agency exceed planning materiality or are provisions of the Single Audit Act of 1984 otherwise considered to be significant? (From a qualitative standpoint, the auditor should consider the significance of total federal assistance received from all federal sources by grantees for which the entity is the cognizant agency).</p> <p>(Note: There is a lag time between the fiscal year in which the funds were expensed and the fiscal year in which the related audit reports are due. Generally, unless there are significant changes in the entity's operations, if the law is significant for one of these periods, it will be a good indicator of significance for other periods. The auditor should use the information most readily available for making this determination.)</p> <table border="0"> <thead> <tr> <th></th> <th><u>Preliminary</u></th> <th><u>Final</u></th> </tr> </thead> <tbody> <tr> <td>Entity expense for federal funds provided to grantees for which the entity is the cognizant agency (Document the expense period)</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Planning materiality</td> <td>_____</td> <td>_____</td> </tr> </tbody> </table> <p>If yes, complete compliance supplement 811.</p>		<u>Preliminary</u>	<u>Final</u>	Entity expense for federal funds provided to grantees for which the entity is the cognizant agency (Document the expense period)	_____	_____	Planning materiality	_____	_____	_____	_____
	<u>Preliminary</u>	<u>Final</u>									
Entity expense for federal funds provided to grantees for which the entity is the cognizant agency (Document the expense period)	_____	_____									
Planning materiality	_____	_____									

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**Compliance**  
**802 - General Compliance Checklist**

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Description of Law	Yes	No									
<p><b>Civil Service Reform Act of 1978, as amended, and Fair Labor Standards Act</b></p> <p>These laws require that employees be paid at the appropriate rates established by law, including general pay increases, and that employees must be paid at least minimum wage.</p> <p>Does the entity's payroll expense for the audit period exceed planning materiality or are related provisions of the Civil Service Reform Act of 1978 or the Fair Labor Standards Act otherwise considered to be significant?</p> <table> <tr> <td></td> <td><u>Preliminary</u></td> <td><u>Final</u></td> </tr> <tr> <td>Payroll expense</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Planning materiality</td> <td>_____</td> <td>_____</td> </tr> </table> <p>If yes, complete compliance supplement 812.</p> <p>It is not expected that the entity's expense for performance awards, cash awards, or overtime for the audit period would exceed planning materiality. However, if these items or related provisions of the Civil Service Reform Act are otherwise considered to be significant, the auditor should consult with OGC for specific provisions to be considered for compliance testing.</p>		<u>Preliminary</u>	<u>Final</u>	Payroll expense	_____	_____	Planning materiality	_____	_____	_____	_____
	<u>Preliminary</u>	<u>Final</u>									
Payroll expense	_____	_____									
Planning materiality	_____	_____									

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**Compliance**  
**802 - General Compliance Checklist**

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Description of Law	Yes	No
<p><b>Civil Service Retirement Act of 1930</b></p> <p>This law provides retirement benefits to employees who were hired prior to January 1, 1984. For each employee, the entity withholds a percentage of basic pay from the employee's compensation and contributes an equal amount for retirement. The employee and entity amounts are remitted to Treasury.</p> <p>Does the entity's expense for retirement costs under the Civil Service Retirement Act for the audit period exceed planning materiality or are provisions of the Civil Service Retirement Act of 1930 otherwise considered to be significant?</p> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center;"> <u>Preliminary</u>            Expense for retirement contributions            _____         </div> <div style="text-align: center;"> <u>Final</u>            _____         </div> </div> <p>Planning materiality _____</p> <p>If yes, complete compliance supplement 813.</p>	_____	_____

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**Compliance****802 - General Compliance Checklist**

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Description of Law	Yes	No
<b>Federal Employees Health Benefits Act of 1959</b>  This law provides health insurance coverage to employees who elect health insurance benefits. For each employee who elects coverage, the entity pays an amount set by OPM for insurance costs. The entity portion cannot exceed 75 percent of the insurance cost. The employee pays the remainder of the total cost. Information on the employee and entity cost of the insurance is published by OPM. The entity withholds the amount of the employee's portion of the cost from the employee's pay and remits these amounts, along with its own contributions, to Treasury.  Does the entity's expense for health insurance costs for the audit period exceed planning materiality or are provisions of the Federal Employee's Health Benefits Act of 1959 otherwise considered to be significant?  <div style="text-align: right;"><u>Preliminary</u>                    <u>Final</u></div> Expense for health insurance      _____      _____  Planning materiality              _____      _____  If yes, complete compliance supplement 814.	_____	_____

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**Compliance**  
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Description of Law	Yes	No
<p><b>Federal Employee's Group Life Insurance Act of 1980</b></p> <p>This law provides life insurance coverage to employees. Generally, all employees are covered unless an employee declines coverage in writing. The employee pays two-thirds of the cost and the entity pays the remaining one-third of the total cost. Information on the employee and entity cost of the insurance is published by OPM. The entity withholds the amount of the employee's portion of the cost from the employee's pay and remits these amounts, along with its own contributions, to Treasury.</p> <p>Does the entity's expense for life insurance costs for the audit period exceed planning materiality or are provisions of the Federal Employee's Group Life Insurance Act of 1980 otherwise considered to be significant?</p> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center;"> <u>Preliminary</u>  <div style="border-bottom: 1px solid black; width: 100px; margin: 0 auto;"></div> </div> <div style="text-align: center;"> <u>Final</u>  <div style="border-bottom: 1px solid black; width: 100px; margin: 0 auto;"></div> </div> </div> <p>Expense for life insurance</p> <p>Planning materiality</p> <p>If yes, complete compliance supplement 815.</p>	<div style="border-bottom: 1px solid black; width: 50px; margin: 0 auto;"></div>	<div style="border-bottom: 1px solid black; width: 50px; margin: 0 auto;"></div>

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**Compliance**  
**802 - General Compliance Checklist**

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Description of Law	Yes	No
<p><b>Federal Employees' Compensation Act</b></p> <p>This law provides for the compensation of employees injured or disabled while performing their duties. Claims are paid out of the Federal Employees' Compensation Fund. Federal entities are billed annually by the Fund for claims paid on their behalf.</p> <p>Does the entity's expense for the audit period for benefits paid by the Federal Employees' Compensation Fund on the entity's behalf exceed planning materiality or are provisions of the Federal Employees' Compensation Act otherwise considered to be significant?</p> <div style="display: flex; justify-content: space-around; margin-top: 20px;"> <div style="text-align: center;"> <u>Preliminary</u>   Expense for Compensation Fund claims _____ </div> <div style="text-align: center;"> <u>Final</u>   _____   Planning materiality _____ </div> </div> <p>If yes, complete compliance supplement 816.</p>	          _____	          _____



## Compliance

### 802 - General Compliance Checklist

Description of Law	Yes	No
<p><b>Other Laws</b></p> <p>Perform the following procedures and include references to supporting workpapers:</p> <ol style="list-style-type: none"> <li>As described in FAM 245.02, review the list of laws and regulations identified by the entity as significant to others. (See _____.)</li> <li>With OGC assistance, identify any other laws or regulations that have a direct effect on determining financial statement amounts. (See _____.)</li> <li>Consider whether to test compliance with any indirect laws or regulations and make inquiries of management as discussed in FAM 245.04-.06. (See _____.)</li> <li>For all laws or regulations identified for testing above, identify significant provisions using the criteria in FAM 245.02. Test compliance controls and compliance as described in FAM sections 300 and 460.</li> </ol> <p>Are any other laws or regulations identified for compliance testing? _____</p> <p>If yes, attach a list of the laws or regulations identified to this form and reference it to control and compliance work performed.</p>		

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## Compliance

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### 803 - ANTIDEFICIENCY ACT COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Antideficiency Act are considered to be significant as indicated on Form 802 - General Compliance Checklist.

OMB guidance on budget execution, including the Antideficiency Act, is included in OMB Circular A-34.

Name of entity: _____ Audit period: _____		<u>Compliance Summary</u>		Prepared by: _____ Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
1. The entity shall not make expenditures or obligations that exceed the amount available for expenditure or obligation in an appropriation or fund.  Type: Quantitative-based Ref: 31 USC 1341(a)(1)(A) and (C)	1. Expenditures or obligations do not exceed the amount available for expenditure or obligation in an appropriation or fund.	[Document the control techniques used by the entity to achieve the objective]  (See note 2.)		[Indicate yes or no, include reference to supporting workpapers]	[Indicate yes or no, include reference to supporting workpapers]  See Compliance Audit Program 803 Step 3

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**Compliance**  
**803 - Antideficiency Act Compliance Summary and Audit Program**

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Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
2. The entity shall not make expenditures or obligations that exceed  (1) the amount of an apportionment; or  (2) a lesser amount, if any, established by agency regulations (such as the allotment level). See note 1.  Type: Quantitative-based Ref: 31 USC 1517(a)	2. Expenditures or obligations do not exceed the legally binding limit on the entity's budget authority. (The amount of the apportionment or a lesser amount, if any, established by the entity's regulations.) See note 1.	(See note 2.)			See Compliance Audit Program 803 Step 4

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**Compliance**  
**803 - Antideficiency Act Compliance Summary and Audit Program**

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Note: This program should be completed only if provisions of the Antideficiency Act are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary for this law.

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
1. List the appropriations or other budget authority and the related budget accounts that were identified for compliance testing on Form 802 - General Compliance Checklist.		

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**Compliance****803 - Antideficiency Act Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>2. As discussed in FAM 460.03, the auditor needs assurance that the summarized budget information (obligations and expenditures) used for compliance tests is reasonably accurate and complete. This assurance may be provided through effective controls (usually the budget controls) or, if the controls are not effective, through substantive testing of budget amounts for validity, completeness, cutoff, recording, classification, and summarization as described in FAM 495 B.</p> <p>For the accounts listed in step 1, document whether this assurance is provided through effective controls (as indicated on Form 803 - Compliance Summary) or whether substantive tests of the budget information are necessary.</p> <p>If the controls are not considered to be effective in meeting some or all of the budget control objectives listed in FAM 395 F, perform substantive tests of the budget amounts (obligations and expenditures) as discussed in FAM 495 B. These substantive tests should be performed only for those potential misstatements for which the entity does not have effective budget controls.</p> <p>After the auditor is satisfied as to the reasonableness of the budget amounts to be used for the compliance tests, perform the compliance tests in steps 3 and 4.</p>		

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**Compliance**  
**803 - Antideficiency Act Compliance Summary and Audit Program**

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Name of entity: _____ Audit period: _____ Reviewed by: _____		
Audit Procedures	Performed by	W/P ref
3. Compare the actual amounts of budget obligations and expenditures with the related <u>appropriation or other budget authority</u> listed in step 1. If the entity does not appear to have complied with the provision, perform step 5. (31 USC 1341(a)(1)(A) and (C))		
4. Determine the entity's legally binding level of budget authority (below the appropriation level) that was identified during the planning phase. This level is usually the apportionment level unless the entity has elected a lower level, such as allotments.  Compare the amount of actual obligations and expenditures to the legally binding level of restrictions on budget authority identified for compliance testing, ( <u>the apportionment or allotment level</u> ). If the entity does not appear to have complied with the provision, perform step 5. (31 USC 1517(a))		

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**Compliance****803 - Antideficiency Act Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>5. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none"><li>· identify the weakness in controls that allowed the noncompliance to occur, if not previously identified during control testing;</li><li>· report the nature of any weakness in controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);</li><li>· consider the implications of any instances of noncompliance on the financial statements; and</li><li>· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.)</li></ul>		
<p>6. Document conclusions on compliance with each provision on Form 803 - Compliance Summary.</p>		

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**Compliance****803 - Antideficiency Act Compliance Summary and Audit Program**

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- Note 1: Entities are required to establish regulations that provide for a system of administrative controls over their execution of budget authority (31 USC 1514(a)). As discussed in FAM 250.03, the entity may elect to lower the level at which budget limitations are legally binding in these regulations. For example, the entity may elect to reduce the legally binding limit on the obligation and expenditure of budget funds from the apportionment to the allotment level. The auditor should determine the level at which the entity's legally binding limit has been established.
- Note 2: The auditor should consider the results of the evaluation and testing of budget controls. These controls relate to the execution of budget authority and usually are the same controls that are used to comply with the Antideficiency Act. Accordingly, additional consideration of controls that achieve the compliance objective generally is not necessary if the auditor has assessed whether the entity achieves all of the budget control objectives listed in FAM 395 F. The auditor should reference this compliance summary to the budget control evaluation and testing and perform any additional procedures considered necessary to conclude as to whether compliance controls are effective.



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## Compliance

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### 804 - CLOSING APPROPRIATION ACCOUNTS (NATIONAL DEFENSE AUTHORIZATION ACT) COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the National Defense Authorization Act for Fiscal Year 1991 relating to closing appropriation accounts are considered to be significant as indicated on Form 802 - General Compliance Checklist.

OMB guidance on closing appropriation accounts is included in OMB Circular A-34, part XI.

Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
1. Amounts relating to closed accounts that are paid from a current year appropriation account may not exceed either the amount that would have been available in the cancelled appropriation prior to closing or 1 percent of the current year appropriation available for the same purpose. (See note 1.)  Type: Quantitative-based Ref: 31 USC 1553(b)(1) and (2) and 31 USC 1551 note	1. Amounts relating to closed accounts that are paid from a current year appropriation account do not exceed the amount that would have been available in the cancelled appropriation prior to closing or 1 percent of the current year appropriation available for the same purpose. (See note 1.)	[Document the control techniques used by the entity to achieve the objective]  (See note 3.)		[Indicate yes or no, include reference to supporting workpapers]	[Indicate yes or no, include reference to supporting workpapers]  See Compliance Audit Program 804 Step 3

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**Compliance****804 - Closing Appropriation Accounts (National Defense Authorization Act) Compliance Summary and Audit Program**

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Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
2. The entity head shall submit a report regarding the unliquidated obligations, unobligated balances, canceled balances, and adjustments made to appropriation accounts during the fiscal year. The report is due no later than 15 days after the date on which the President's budget for the next fiscal year is submitted to Congress. (See note 2.)  Type:Procedural-based Ref: 31 USC 1554(b) and (c)	2. Required reports on appropriation accounts are filed on a timely basis.	(See note 3.)			See Compliance Audit Program 804 Step 4

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**Compliance****804 - Closing Appropriation Accounts (National Defense Authorization Act) Compliance Summary and Audit Program**

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Note: This form should be completed only if provisions of the National Defense Authorization Act for Fiscal Year 1991 relating to closing appropriation accounts are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary for this law.

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
1. List the specific appropriation accounts that were identified for compliance testing on Form 802 - General Compliance Checklist.		

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**Compliance****804 - Closing Appropriation Accounts (National Defense Authorization Act) Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>2. As discussed in FAM 460.03, the auditor needs assurance that the summarized budget information used for each compliance test is reasonably accurate and complete. (The budget information for this compliance test is the amount of payments made out of current year appropriations for unliquidated obligations that relate to closed appropriation accounts.) This assurance may be provided through effective controls (usually the budget controls) or, if the controls are not effective, through substantive testing of budget amounts for validity, completeness, cutoff, recording, classification, and summarization as described in FAM 495 B.</p> <p>For the accounts listed in step 1, document whether this assurance is provided through effective controls (as indicated on Form 804 - Compliance Summary) or whether substantive tests of the budget information are necessary.</p> <p>If the controls are not considered to be effective in meeting some or all of the budget control objectives listed in FAM 395 F, perform substantive tests of the budget amounts as discussed in FAM 495 B. These substantive tests should be performed only for those potential misstatements for which the entity does not have effective budget controls. For these substantive tests, a test materiality of 5 percent of the current appropriation is considered to be adequate.</p> <p>After the auditor is satisfied as to the reasonableness of the budget amounts to be used for the compliance test, perform the compliance test in step 3.</p>		

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**Compliance****804 - Closing Appropriation Accounts (National Defense Authorization Act) Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>3. For each appropriation account identified for compliance testing, obtain the total amount paid from the account for unliquidated obligations that relate to closed accounts and perform the following:</p> <p>a. compare the total amount of these payments with the amount that would have been available in the cancelled appropriation account related to the unliquidated obligation prior to closing and</p> <p>b. compare the amount of these payments with an amount equal to 1 percent of the current year appropriation account available for the same purpose.</p> <p>(See note 1.)(31 USC 1553(b)(1) and (2) and 31 USC 1551 note)</p> <p>If payments exceed the amount that would have been available in the cancelled appropriation account prior to closing or the 1 percent limitation, the entity may not be in compliance. In this situation, perform step 5.</p>		

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**Compliance****804 - Closing Appropriation Accounts (National Defense Authorization Act) Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>4. The following objective relates to a procedural-based provision. As discussed in FAM 460.06, sufficient procedures usually are performed in conjunction with tests of compliance controls for procedural-based provisions to conclude on the entity's compliance without performing additional procedures. Additional procedures should be performed to obtain evidence regarding compliance with the provision related to the following objective <u>only</u> if sufficient evidence regarding compliance was not obtained during compliance control tests documented on Form 804 - Compliance Summary.</p> <p>· Required reports on appropriation accounts are filed on a timely basis. See note 2. (31 USC 1554 (b) and (c))</p> <p>If the entity does not appear to be in compliance with this provision, perform step 5.</p>		

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**Compliance****804 - Closing Appropriation Accounts (National Defense Authorization Act) Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>5. If the entity does not appear to be in compliance based on the results of the tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none"><li>· identify the weakness in controls that allowed the noncompliance to occur, if not previously identified during control testing;</li><li>· report the nature of any weakness in controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);</li><li>· consider the implications of any instances of noncompliance on the financial statements; and</li><li>· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.)</li></ul>		
<p>6. Document conclusions on compliance with each provision on Form 804 - Compliance Summary.</p>		

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**Compliance****804 - Closing Appropriation Accounts (National Defense Authorization Act) Compliance Summary and Audit Program**

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Note 1: After the closing of an account, expenditures and adjustments that would have been properly chargeable to that account before closing (primarily payment of unliquidated obligations) may be charged to any current appropriation account available for the same purpose. OMB guidance in A-34, part XI 111.4 has interpreted this provision as follows:

- for annual accounts, the limitation on payments is 1 percent of the annual appropriation for the account (not total budgetary resources); and
- for multi-year accounts, the limitation on payments is 1 percent of all appropriations for the account that have not expired for obligational purposes.

The amounts of these expenditures and adjustments cannot cause the entity to exceed the amount of the original appropriation.

Note 2: Each report required to be filed shall -

- (a) provide a description, with reference to the fiscal year of appropriations, of the amount in each account, its source, and an itemization of the appropriation accounts;
- (b) describe all current and expired appropriation accounts;
- (c) describe any payments made for obligations in expired accounts or charged to current year appropriations if they relate to obligations of closed accounts;
- (d) describe any adjustment of obligations during the fiscal year charged to the expired accounts or current year appropriations if they relate to closed accounts;
- (e) contain a certification by the entity head that the obligated balances in each appropriation account of the entity reflect proper existing obligations and that expenditures from the account since the preceding review are supported by a proper obligation of funds and otherwise are proper; and



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**Compliance****804 - Closing Appropriation Accounts (National Defense Authorization Act) Compliance Summary and Audit Program**

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(f) describe all balances canceled during the fiscal year.

(31 USC 1554(b)(2)(A)-(F))

If this report is of special concern or sensitivity to Members of Congress or others, the auditor should consider whether to perform additional procedures regarding the quality of the information included in the report. The extent of procedures performed on this information is a matter of the auditor's judgment considering the sensitivity of the information.

Note 3: The auditor should consider the results of the evaluation and testing of budget controls. These controls relate to the execution of budget authority and usually are the same controls that are used to comply with the Antideficiency Act and this law. Accordingly, additional consideration of controls that achieve the compliance objective generally is not necessary if the auditor has assessed whether the entity achieves all of the budget control objectives listed in FAM 395 F. The auditor should reference to the budget control evaluation and testing and perform any additional procedures considered necessary to conclude as to whether compliance controls are effective.

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## Compliance

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### 805 - BUDGET AND ACCOUNTING PROCEDURES ACT OF 1950 COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Budget and Accounting Procedures Act of 1950 are considered to be significant as indicated on Form 802 - General Compliance Checklist.

Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
1. The entity shall observe the accounting principles, standards, and requirements prescribed by the Comptroller General as recommended by FASAB and agreed to by OMB and Treasury as described in note 1. (See notes 1 and 2.)  Type: Procedural-based Ref: 31 USC 3511(a)	1. The entity follows the accounting principles, standards, and requirements prescribed by the Comptroller General as recommended by FASAB and agreed to by OMB and Treasury as described in note 1. (See notes 1 and 2.)	[Document the control techniques used by the entity to achieve the objective]		[Indicate yes or no, include reference to supporting workpapers]	[Indicate yes or no, include reference to supporting workpapers]  See Compliance Audit Program 805 Step 1

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**Compliance****805 - Budget and Accounting Procedures Act of 1950 Compliance Summary and Audit Program**

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Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
2. The entity shall provide information requested by the Secretary of the Treasury on the entity's financial operations. (See note 3.)  Type: Procedural-based Ref: 31 USC 3513(a)	2. Information requested by the Secretary of the Treasury on the entity's financial operations is provided. (See note 3.)				See Compliance Audit Program 805 Step 1

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**Compliance****805 - Budget and Accounting Procedures Act of 1950 Compliance  
Summary and Audit Program**

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Note: This form should be completed only if provisions of the Budget and Accounting Procedures Act of 1950 are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
Note: The provisions identified for compliance testing are procedural-based provisions. As discussed in FAM 460.06, sufficient procedures usually are performed in conjunction with tests of compliance controls for these procedural-based provisions to conclude on the entity's compliance without performing additional procedures. Additional procedures should <u>not</u> be performed to obtain evidence regarding compliance with the provisions related to these objectives unless sufficient evidence regarding compliance was not obtained during compliance control tests documented on Form 805 - Compliance Summary.		
1. Document whether sufficient evidence was obtained during compliance control tests to conclude as to compliance with the procedural provisions and perform any additional procedures considered necessary. Consider the results of audit work performed about whether the entity has followed the appropriate basis of accounting as discussed in FAM 560 "Consider Conformity with the Entity's Accounting Principles." Additional compliance tests generally are not required.		

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**Compliance****805 - Budget and Accounting Procedures Act of 1950 Compliance  
Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>2. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>If the auditor determines that the entity has not followed the appropriate accounting principles (i.e., the auditor's opinion on the financial statements is not unqualified), consult with OGC about reporting an instance of noncompliance with the Budget and Accounting Procedures Act of 1950.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none"><li>· identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;</li><li>· report the nature of any weakness in compliance controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);</li><li>· consider the implications of any instances of noncompliance on the financial statements; and</li><li>· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.)</li></ul>		
3. Document conclusions on compliance with each provision on Form 805 - Compliance Summary.		

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**Compliance****805 - Budget and Accounting Procedures Act of 1950 Compliance  
Summary and Audit Program**

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Note 1: Generally accepted accounting principles for federal government entities are being developed by the Federal Accounting Standards Advisory Board (FASAB). FASAB recommends federal accounting standards to the Comptroller General, the Secretary of the Treasury, and the Director of OMB (the Principals). The accounting standards agreed upon by these three officials are issued by the Comptroller General and OMB. Until sufficient accounting standards are agreed to and published, federal government entities can report in accordance with an "other comprehensive basis of accounting" using the following hierarchy:

1. Individual standards agreed to and published by the Principals.
2. Form and content requirements included in OMB Bulletin 93-02 and subsequent issuances.
3. Accounting standards contained in agency accounting policy, procedures manuals, and/or related guidance as of March 29, 1991, so long as they are prevalent practice.
4. Accounting principles published by authoritative standard setting bodies and other authoritative sources (1) in the absence of other guidance in the first three parts of this hierarchy, and (2) if use of such accounting standards improves the meaningfulness of the financial statements.

Note 2: Consider the results of the substantive tests, control tests, and other audit work performed regarding whether the entity has effective compliance controls and whether the entity has followed the appropriate basis of accounting as discussed in FAM 560 "Consider Conformity with the Entity's Accounting Principles." The accounting principles used by the entity should be in accordance with the hierarchy of accounting principles described in Note 1. Additional compliance tests or compliance control tests are not required. If the auditor determines that the entity has not complied with the accounting principles and standards according to the above hierarchy, the auditor should consult with OGC about reporting an instance of noncompliance with the Budget and Accounting Procedures Act of 1950.

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**Compliance****805 - Budget and Accounting Procedures Act of 1950 Compliance  
Summary and Audit Program**

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Note 3: The primary annual federal financial reports are Treasury Standard Form (SF) 220 - Report on Financial Position, SF 221 - Report on Operations, SF 222 Report on Cash Flow, and SF 223 - Report on Reconciliation. If these reports are of special concern or sensitivity to Members of Congress or others, the auditor should consider whether to perform additional procedures regarding the quality of the information included in the report. The extent of procedures performed on this information is a matter for the auditor's judgment, after considering the sensitivity of the information.

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## Compliance

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### 806 - CHIEF FINANCIAL OFFICERS ACT OF 1990 COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Chief Financial Officers Act of 1990 are considered to be significant as indicated on Form 802 - General Compliance Checklist. See note 4 for additional provisions related to government corporations. The auditor should be testing compliance controls and compliance during the audit period. For this law, because of the timing of various due dates, the provisions in effect during the current audit period will relate to the prior year's financial statements, audit report, and annual report.

OMB guidance on the CFO Act is included in OMB Bulletin 94-01 Guidance on Form and Content of Financial Statements and OMB Bulletin 93-06 Audit Requirements for Federal Financial Statements.

Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
1. Not later than March 31 of each year, the entity shall prepare and submit to the Director of OMB a financial statement for the preceding fiscal year covering the entities and activities described in note 1.  Type: Procedural-based Ref: 31 USC 3515(a)	1. A financial statement is submitted to the Director of OMB by March 31 of each year for the preceding fiscal year and includes all entities that are required to be included as described in note 1.	[Document the control techniques used by the entity to achieve the objective]		[Indicate yes or no, include reference to supporting workpapers]	[Indicate yes or no, include reference to supporting workpapers]  See Compliance Audit Program 806 Step 1



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**Compliance****806 - Chief Financial Officers Act of 1990 Compliance Summary and Audit Program**

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Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
2. Each financial statement submitted under this law shall include the information described in note 2.  Type: Procedural-based Ref: 31 USC 3515(b)	2. Each financial statement submitted under this law includes the information described in note 2.				See Compliance Audit Program 806 Step 1
3. A financial statement prepared under this law shall be audited in accordance with GAGAS by the appropriate party described in note 3.  Type: Procedural-based Ref: 31 USC 3521(e)	3. Financial statements prepared under this law are audited in accordance with GAGAS by the appropriate party described in note 3.				See Compliance Audit Program 806 Step 1

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**Compliance****806 - Chief Financial Officers Act of 1990 Compliance Summary and Audit Program**

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Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
4. Not later than June 30 following the fiscal year for which a financial statement is submitted under this law, the person who audits the financial statements shall submit a report on the audit to the entity head. Such reports shall be prepared in accordance with GAGAS.  Type: Procedural-based Ref: 31 USC 3521(f)	4. Required audit reports are submitted by June 30 after the fiscal year for which the financial statements are prepared. Such reports are prepared in accordance with GAGAS.				See Compliance Audit Program 806 Step 1
5. The CFO shall prepare and transmit, by not later than 60 days after the submission of the audit report required by this law, an annual report to the entity head and the Director of OMB. The annual report shall include the information described in note 5.  Type: Procedural-based Ref: 31 USC 902(a)(6)	5. The annual report is submitted to the entity head and the Director of OMB no later than 60 days after the submission of the audit report required by this law. The annual report includes the information described in note 5.				See Compliance Audit Program 806 Step 1

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**Compliance****806 - Chief Financial Officers Act of 1990 Compliance Summary and Audit Program**

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Note: This form should be completed only if provisions of the Chief Financial Officers Act of 1990 are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

OMB guidance on the CFO Act is included in OMB Bulletin 94-01 Guidance on Form and Content of Financial Statements and OMB Bulletin 93-06 Audit Requirements for Federal Financial Statements.

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
Note: The provisions identified for testing are procedural-based provisions. As discussed in FAM 460.06, sufficient procedures usually are performed in conjunction with tests of compliance controls for these procedural-based provisions to conclude on the entity's compliance without performing additional procedures. Additional procedures should <u>not</u> be performed to obtain evidence regarding compliance with the provisions related to the above objectives unless sufficient evidence regarding compliance was not obtained during compliance control tests documented on Form 806 - Compliance Summary.		
Procedures:  1. Document whether sufficient evidence was obtained during compliance control tests to conclude as to compliance with the procedural provisions and perform any additional procedures considered necessary.		

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**Compliance****806 - Chief Financial Officers Act of 1990 Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>2. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none"><li>· identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;</li><li>· report the nature of any weakness in compliance controls and consider modification of the opinion on management's assertion about the effectiveness of internal controls as appropriate. (See FAM 580.31-.57);</li><li>· consider the implications of any instances of noncompliance on the financial statements; and</li><li>· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.)</li></ul>		
<p>3. Document conclusions on compliance with each provision on Form 806 - Compliance Summary.</p>		

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**Compliance****806 - Chief Financial Officers Act of 1990 Compliance Summary and Audit Program**

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Note 1: Entities to be included in the financial statement include each revolving fund and trust fund of the entity, and, to the extent practicable, the accounts of each office, bureau, and activity of the entity which performed substantial commercial functions during the preceding fiscal year. (31 USC 3515(a))

Note 2: Each financial statement submitted under this law shall reflect:

- (a) the overall financial position of the entities or activities covered by the statement, including assets and liabilities thereof;
- (b) results of operations of those entities or activities;
- (c) cash flows of those entities or activities; and
- (d) a statement of budget and actual expenses of the executive agency for those entities or activities. (31 USC 3515(b))

Note 3: Audits should be performed by the IG or by an independent external auditor. The Comptroller General has the authority to perform any of these audits in lieu of an IG or independent external auditor. (31 USC 3521(e) and (g))

Note 4: For government corporations, audits should be performed by the IG of the corporation appointed under the Inspector General Act or by an independent external auditor. The audit shall be performed in accordance with GAGAS. The auditor's report shall be submitted to the head of the corporation, to the chairman of the Committee on Government Reform and Oversight of the House of Representatives, and to the chairman of the Committee on Governmental Affairs of the Senate. (31 USC 9105(a))

A government corporation shall submit an annual management report to Congress no later than 180 days after the end of the government corporation's fiscal year. This management report shall include a statement of financial position, a statement of operations, a statement of cash flows, a reconciliation to the budget

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**Compliance****806 - Chief Financial Officers Act of 1990 Compliance Summary and Audit Program**

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report of the government corporation, if applicable; a statement on internal accounting and administrative control systems by the head of the management of the corporation, consistent with the requirements for entity statements on internal accounting and administrative control systems under FMFIA; the report resulting from an audit of the corporation's financial statements conducted under this law; and any other comments or information necessary to inform Congress about the operations and financial condition of the corporation. A copy of the management report shall be provided to the President, Director of OMB, and the Comptroller General when the report is submitted to Congress. (31 USC 9106)

Note 5: The annual report submitted by the CFO should include the following information:

- (a) a description and analysis of the status of the financial management of the entity;
- (b) the financial statements prepared under this law;
- (c) the audit report transmitted to the entity head under this law;
- (d) a summary of the reports on internal accounting and administrative control systems submitted to the President and the Congress under FMFIA; and
- (e) other information the entity head considers appropriate to inform the President and the Congress about the operations and financial condition of the corporation. (31 USC 902(a)(6))

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## Compliance

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### 807 - FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT OF 1982 COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Federal Managers' Financial Integrity Act of 1982 (FMFIA) are considered to be significant as indicated on Form 802 - General Compliance Checklist. If the entity under audit does not file its own FMFIA report with OMB, the auditor should perform the following procedures with respect to information the entity contributes to the FMFIA report in which the entity is included.

Additional information regarding the FMFIA process and procedures performed during the planning phase of the audit are included in FAM 260.22-.26. Guidance on reporting issues related to FMFIA is included in FAM 580.66. OMB guidance related to FMFIA is included in OMB Circulars A-123 Internal Control Systems and A-127 Financial Management Systems.

Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
1. By December 31 of each year, the entity head shall prepare a statement on whether the entity's systems comply with the requirements described in note 1.  Type: Procedural-based Ref: 31 USC 3512(d)(2)	1. A statement is prepared by December 31 on whether the entity's systems comply with the requirements described in note 1.	[Document the control techniques used by the entity to achieve the objective]		[Indicate yes or no, include reference to supporting workpapers]	[Indicate yes or no, include reference to supporting workpapers] See Compliance Audit Program 807 Step 1

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**Compliance****807 - Federal Managers' Financial Integrity Act of 1982 Compliance  
Summary and Audit Program**

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Note: This form should be completed only if provisions of the Federal Managers' Financial Integrity Act of 1982 (FMFIA) are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

Additional information regarding the FMFIA process and procedures performed during the planning phase of the audit are included in FAM 260.22-.26. Guidance on reporting issues related to FMFIA is included in FAM 580.66. OMB guidance related to FMFIA is included in OMB Circulars A-123 Internal Control Systems and A-127 Financial Management Systems.

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
Note: The provisions identified for compliance testing are procedural-based provisions. As discussed in FAM 460.06, sufficient procedures usually are performed in conjunction with tests of compliance controls for these procedural-based provisions to conclude on the entity's compliance without performing additional procedures. Additional procedures should <u>not</u> be performed to obtain evidence regarding compliance with the provisions related to the above objectives unless sufficient evidence regarding compliance was not obtained during compliance control tests documented on Form 807 - Compliance Summary.		
1. Document whether sufficient evidence was obtained during compliance control tests to conclude as to compliance with the procedural provisions and perform any additional procedures considered necessary.		



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**Compliance****807 - Federal Managers' Financial Integrity Act of 1982 Compliance  
Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
2. <u>Compliance testing does not address the quality of the FMFIA process.</u> As discussed in FAM 580.66, determine whether material weaknesses and reportable conditions identified by the auditor were included properly in the entity's FMFIA report and the Summary of the Management's FMFIA reports submitted with the Annual Financial Statement under the Chief Financial Officers Act of 1990. Document the results of this work and report results following the FAM guidance.		

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**Compliance****807 - Federal Managers' Financial Integrity Act of 1982 Compliance  
Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>3. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none"><li>· identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;</li><li>· report the nature of any weakness in compliance controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);</li><li>· consider the implications of any instances of noncompliance on the financial statements; and</li><li>· report instances of noncompliance, as appropriate. (See FAM 580.58-.69.)</li></ul>		
<p>4. Document conclusions on compliance with each provision on Form 807 - Compliance Summary.</p>		

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**Compliance****807 - Federal Managers' Financial Integrity Act of 1982 Compliance  
Summary and Audit Program**

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Note 1: Systems of accounting and internal controls shall provide -

- (1) complete disclosure of the financial results of the activities of the agency;
- (2) adequate financial information the agency needs for management purposes;
- (3) effective control over, and accountability for, assets for which the agency is responsible, including internal audit (see note 2);
- (4) reliable accounting results that will be the basis for -
  - (A) preparing and supporting the budget requests of the agency
  - (B) controlling and carrying out of the agency budget;
  - (C) providing financial information required for submission of the President's budget request; and
- (5) suitable integration of the accounting of the agency with the central accounting and reporting responsibilities of the Secretary of the Treasury under section 31 USC 3513. (31 USC 3512(b))

Note 2: With respect to item (3) of note 1, the law further requires the entity to establish internal accounting and administrative controls that are consistent with the standards that the Comptroller General prescribes and that reasonably ensure that -

- (1) obligations and costs comply with applicable law;
- (2) all assets are guarded against waste, loss, unauthorized use, and misappropriation; and
- (3) revenues and expenditures applicable to agency operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained. (31 USC 3512(c)(1))

Note 3: OMB criteria for an FMFIA material weakness is discussed in FAM 580.39.

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**Compliance****807 - Federal Managers' Financial Integrity Act of 1982 Compliance  
Summary and Audit Program**

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Note 4: OMB criteria for material nonconformance of budget or accounting information and financial systems is discussed in FAM 580.40.

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## Compliance

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### 808 - FEDERAL CREDIT REFORM ACT OF 1990 COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Federal Credit Reform Act of 1990 are considered to be significant as indicated on Form 802 - General Compliance Checklist.

OMB guidance on FCRA is included in OMB Circular A-34, part VI, Credit Apportionment and Budget Execution.

Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
1. Direct loan obligations may be incurred on or after October 1, 1991 only to the extent that an appropriation or other budget authority is available to cover these costs. (See notes 1,2, and 5-7.)  Type: Quantitative-based Ref: 2 USC 661c(b)	1. Direct loan obligations made on or after October 1, 1991 do not exceed the available appropriation or other budget authority. (See notes 1, 2, and 5-7.)	[Document the control techniques used by the entity to achieve the objective]  (See note 10.)		[Indicate yes or no, include reference to supporting workpapers]	[Indicate yes or no, include reference to supporting workpapers]  See Compliance Audit Program 808 Step 3

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**Compliance****808- Federal Credit Reform Act of 1990 Compliance Summary and Audit Program**

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Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
2. A direct loan obligation or outstanding direct loan shall not be modified in a manner that increases its cost unless budget authority for the additional cost is available. (See notes 5 and 8.) (See note 9 for matters to discuss with OGC prior to testing.)  Type: Quantitative-based Ref: 2 USC 661c(e)	2. Modifications made to direct loan obligations or outstanding direct loans do not exceed the available budget authority. (See notes 5, 8, and 9.)	(See note 10.)			See Compliance Audit Program 808 Step 3
3. Loan guarantee commitments may be made on or after October 1, 1991 only to the extent that an appropriation or other budget authority is available to cover these costs. (See notes 3 to 7.)  Type: Quantitative-based Ref: 2 USC 661c(b)	3. Obligations for new loan guarantee commitments made on or after October 1, 1991 do not exceed the available appropriation or other budget authority. (See notes 3 to 7.)	(See note 10.)			See Compliance Audit Program 808 Step 3

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**Compliance****808- Federal Credit Reform Act of 1990 Compliance Summary and Audit Program**

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Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
4. A loan guarantee commitment or outstanding loan guarantee shall not be modified in a manner that increases its cost unless budget authority for the additional cost is available. (See notes 5 and 8.) (See note 9 for matters to discuss with OGC prior to testing.)  Type: Quantitative-based Ref: 2 USC 661c(e)	4. Modifications made to loan guarantee commitments or outstanding loan guarantees do not exceed the available budget authority. (See notes 5, 8, and 9.)	(See note 10.)			See Compliance Audit Program 808 Step 3

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**Compliance****808 - Federal Credit Reform Act of 1990 Compliance Summary and Audit Program**

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Note: This form should be completed only if provisions of the Federal Credit Reform Act (FCRA) are considered to be significant as indicated on Form 802- General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

OMB guidance on FCRA is included in OMB Circular A-34, part VI, Credit Apportionment and Budget Execution.

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
1. List the appropriations or other budget authority, and the related budget accounts, that were identified for compliance testing on Form 802- General Compliance Checklist.		



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**Compliance****808 - Federal Credit Reform Act of 1990 Compliance Summary and  
Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>2. As discussed in FAM 460.03, the auditor needs assurance that the summarized budget information (obligations and expenditures) used for compliance tests is reasonably accurate and complete. This assurance may be provided through effective controls (usually the budget controls) or, if the controls are not effective, through substantive testing of budget amounts for validity, completeness, cutoff, recording, classification, and summarization as described in FAM 495 B.</p> <p>For the accounts listed in step 1, document whether this assurance is provided through effective controls (as indicated on Form 808-Compliance Summary) or whether substantive tests of the budget information are necessary.</p> <p>If the controls are not considered to be effective in meeting some or all of the budget control objectives listed in FAM 395 F, plus the supplemental objectives for FCRA listed in FAM 395 F Sup, perform substantive tests of the budget amounts (obligations and expenditures) as discussed in FAM 495 B. These substantive tests should be performed only for those potential misstatements for which the entity does not have effective budget controls.</p> <p>After the auditor is satisfied as to the reasonableness of the budget amounts to be used for the compliance tests, perform the compliance tests in steps 3 and 4.</p>		

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**Compliance****808 - Federal Credit Reform Act of 1990 Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>3. For each appropriation account or other budget authority listed in step 1, perform the following procedures that are applicable:</p> <p>(a) Compare the amount of obligations for direct loans to the amount of the available appropriation or other budget authority. (Note: This budget restriction is only applicable to obligations for direct loans made on or after October 1, 1991.)</p> <p>(b) Compare the amount of obligations for modifications of direct loan obligations or outstanding direct loans to the amount of available budget authority. (Note: Discuss applicability of this budget restriction to direct loans and direct loan obligations that were outstanding prior to October 1, 1991 with OGC prior to performing compliance test.)</p> <p>(c) Compare the amount of obligations for loan guarantee commitments to the amount of the available appropriation or other budget authority. (Note: This budget restriction is only applicable to obligations for loan guarantee commitments made on or after October 1, 1991.)</p>		

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**Compliance****808 - Federal Credit Reform Act of 1990 Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>3. (d) Compare the amount of obligations for modifications of loan guarantee commitments or outstanding loan guarantees to the amount of available budget authority. (Note: Discuss applicability of this budget restriction to loan guarantees and loan guarantee commitments that were outstanding prior to October 1, 1991 with OGC prior to performing compliance test.)</p> <p>(2 USC 661c(b) and (e))</p> <p>If the amounts of obligations in any of these comparisons exceed the available budget authority, the entity may not be in compliance. Perform step 4.</p>		

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**Compliance****808 - Federal Credit Reform Act of 1990 Compliance Summary and  
Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>4. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none"><li>· identify the weakness in controls that allowed the noncompliance to occur, if not previously identified during control testing;</li><li>· report the nature of any weakness in controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);</li><li>· consider the implications of any instances of noncompliance on the financial statements; and</li><li>· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.)</li></ul>		
<p>5. Document conclusions on compliance with each provision on Form 808 - Compliance Summary.</p>		

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**Compliance****808 - Federal Credit Reform Act of 1990 Compliance Summary and Audit Program**

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- Note 1: A direct loan is a disbursement of funds by the government to a non-federal borrower under a contract that requires the repayment of such funds with or without interest. The term also includes the purchase of, or participation in, a loan made by another lender. The term does not include the acquisition of a federally guaranteed loan in satisfaction of default claims or the price support loans of the Commodity Credit Corporation. (2 USC 661a(1))
- Note 2: A direct loan obligation is a binding agreement by a federal agency to make a direct loan when specified conditions are fulfilled by the borrower. (2 USC 661a(2))
- Note 3: A loan guarantee is any guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-federal borrower to a non-federal lender, but does not include the insurance of deposits, shares, or other withdrawable accounts in financial institutions. (2 USC 661a(3))
- Note 4: A loan guarantee commitment is a binding agreement by a federal agency to make a loan guarantee when specified conditions are fulfilled by the borrower, the lender, or any other party to the guarantee agreement. (2 USC 661a(4))
- Note 5: Appropriations or other budget authority to cover the cost of budget obligations for direct loan obligations and loan guarantee commitments must be made in advance by the Congress. For revolving or other funds that otherwise would be available for these budget obligations, the Congress must enact a limit on the use of such funds for these purposes to make them available for use. (2 USC 661c(b))
- Note 6: Costs are defined as the estimated long-term cost to the government of a direct loan or loan guarantee, calculated on a net present value basis, excluding administrative costs and any

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**Compliance****808 - Federal Credit Reform Act of 1990 Compliance Summary and Audit Program**

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incidental effects on governmental receipts or outlays. These calculations are described in further detail under the valuation control objective for obligations in FAM 395 F. (2 USC 661a(5))

Note 7: There is an exemption from this requirement for entitlements (mandatory programs such as the guaranteed student loan program and the VA home loan guaranty program) and credit programs of the Commodity Credit Corporation existing on the date of enactment of the act (November 5, 1990). (2 USC 661c(c))

Note 8: Modifications are government actions that alter the estimated net present value of a direct loan or loan guarantee for which an obligation has been recorded, for example a policy change affecting the repayment period or interest rate for a group of existing loans. Changes within the terms of existing contracts or through other existing authorities are not considered to be modifications. Additionally, "work outs" of individual loans, such as a change in the amount or timing of payments to be made, are not considered modifications. The effects of these changes should be included in the annual reestimates of the estimated net present value of the obligations. Permanent indefinite authority is provided by FCRA for these reestimates.

Note 9: Discuss applicability of this budget restriction to direct loans, direct loan obligations, loan guarantees, or loan guarantee commitments that were outstanding prior to October 1, 1991 with OGC prior to performing control or compliance tests.

Note 10: The auditor should consider the results of the evaluation and testing of budget controls. These controls relate to the execution of budget authority and usually are the same controls that are used to comply with the Antideficiency Act and the Federal Credit Reform Act. Accordingly, additional consideration of controls that achieve the compliance objective generally is not necessary if the auditor has assessed whether the entity achieves

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**Compliance****808 - Federal Credit Reform Act of 1990 Compliance Summary and Audit Program**

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all of the budget control objectives listed in FAM 395 F, including the supplemental control objectives for the Federal Credit Reform Act. The auditor should reference to the budget control evaluation and testing and perform any additional procedures considered necessary to conclude as to whether compliance controls are effective.

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## Compliance

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### 809 - FEDERAL CLAIMS COLLECTION ACT, AS AMENDED BY THE DEBT COLLECTION ACT OF 1982 COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Federal Claims Collection Act, as amended by the Debt Collection Act of 1982 are considered to be significant as indicated on Form 802 - General Compliance Checklist.

Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
<p>1. Interest shall be charged on an outstanding debt (or claim) owed to the entity. Interest accrues from the date the notice of the amount due and interest policies is first mailed to the debtor. Interest is charged at the rate established by the Secretary of the Treasury that is in effect on that date. The rate remains fixed at that rate for the duration of the indebtedness. (See notes 1, 2, and 3.)</p> <p>Type: Transaction-based Ref: 31 USC 3717(a), (b), and (c)</p>	<p>1. Interest is properly calculated and charged on past due amounts owed to the entity at the correct rates. (See notes 1, 2, and 3.)</p>	<p>[Document the control techniques used by the entity to achieve the objective]</p>		<p>[Indicate yes or no, include reference to supporting workpapers]</p>	<p>[Indicate yes or no, include reference to supporting workpapers]</p> <p>See Compliance Audit Program 809 Steps 3 (a), (b), and (c)</p>



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**Compliance****809- Federal Claims Collection Act, as Amended by the Debt Collection Act of 1982 Compliance Summary and Audit Program**

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Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
2. The entity shall assess, on a claim owed to it, a charge to cover the cost of processing and handling a delinquent claim plus a penalty charge (of not more than 6 percent a year) for failure to pay a part of a claim more than 90 days past due. These additional charges do not accrue interest. (See note 3.)  Type: Transaction-based Ref: 31 USC 3717(e) and (f)	2. Administrative charges and late payment penalties are properly calculated and charged on past due amounts. (See note 3.)				See Compliance Audit Program 809 Step 3(d)

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**Compliance****809- Federal Claims Collection Act, as Amended by the Debt Collection Act of 1982 Compliance Summary and Audit Program**

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Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
3. The entity may compromise, terminate, or suspend claims that are not more than \$100,000. Claims of more than \$100,000 (excluding interest, penalties, and administrative costs) shall be referred to the Justice Department for compromise, termination, or suspension. (See note 4.)  Type: Procedural-based Ref: 31 USC 3711	3. Claims of more than \$100,000 (excluding interest, penalties, and administrative costs) are referred to the Justice Department for compromise, termination, or suspension. (See note 4.)				See Compliance Audit Program 809 Step 5
4. The entity shall submit a report at least annually summarizing the status of loans and accounts receivable managed by the entity. (See note 5.)  Type: Procedural-based Ref: 31 USC 3719	4. Required reports on debt collection activities are filed on a timely basis. (See note 5.)				See Compliance Audit Program 809 Step 5

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**Compliance****809 - Federal Claims Collection Act, as Amended by the Debt Collection Act of 1982 Compliance Summary and Audit Program**

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Note: This form should be completed only if provisions of the Federal Claims Collection Act (as amended by the Debt Collection Act) are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>1. Based on the preliminary assessment of compliance control effectiveness (as documented on Form 809 - Compliance Summary), select an appropriate number of amounts owed to the entity during or at the end of the audit period. (The sample size will vary based on the expected effectiveness of compliance controls - 32 for effective controls or 59 for ineffective controls as discussed in FAM 460.02). See note 6 regarding sampling efficiencies and completeness of the sample population.</p> <p>Sample size _____</p> <p>Sample selection method _____</p>		

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**Compliance****809 - Federal Claims Collection Act, as Amended by the Debt Collection Act of 1982 Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>2. For each item selected in step 1 obtain the loan file or other supporting documentation and note the following information as of the date selected for testing:</p> <ul style="list-style-type: none"><li>• due date of debt;</li><li>• amount owed;</li><li>• date the notice of the amount due and the interest policies is first mailed to the debtor;</li><li>• amount of interest accrued and other administrative charges and penalties charged, if any; and</li><li>• number of days the debt is past due, if any.</li></ul> <p>Perform step 3 if the debt is past due. Perform step 4 if the debt is not past due.</p>		
<p>3. If the amount selected is past due:</p> <p>(a) Calculate the number of days that interest should be accrued on the debt as of the date selected for testing. Interest generally accrues from the date that the notice of the amount due is first mailed to the debtor. (See note 1.) Compare the auditor's calculation with the calculation performed by the entity and investigate any differences. (31 USC 3717(b))</p>		

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**Compliance****809 - Federal Claims Collection Act, as Amended by the Debt Collection Act of 1982 Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
3. (b) Determine the interest rate that should be used to accrue interest on the debt. The rate is published in the <u>Federal Register</u> and should be the rate that was in effect on the date that the notice of the amount due is first mailed to the debtor. (Law library personnel can provide assistance in locating these rates in the <u>Federal Register</u> .) Compare the auditor's determination of the rate to the rate used by the entity and investigate any differences. (31 USC 3717(a) and (c))		
3. (c) Calculate the amount of interest that should be owed as of the date selected for testing using the number of days tested in (a) and the interest rate tested in (b). Compare the auditor's calculation to the amount calculated by the entity and investigate any differences. See notes 2 and 3 regarding the waiver of interest.		
3. (d) Obtain the entity's schedule of administrative charges and late payment penalties and determine whether the appropriate amounts were charged to the debtor. See note 3 regarding the waiver of these charges. (31 USC 3717(e) and (f))		
4. If the debt is not past due, determine that interest, administrative charges, or penalties are not being charged through review of the entity's records.		

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**Compliance****809 - Federal Claims Collection Act, as Amended by the Debt Collection Act of 1982 Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>5. The objectives listed below relate to procedural-based provisions. As discussed in FAM 460.06, sufficient procedures usually are performed in conjunction with tests of compliance controls for these procedural-based provisions to conclude on the entity's compliance without performing additional procedures. Additional procedures should <u>not</u> be performed to obtain evidence regarding compliance with the provisions related to the following objectives unless sufficient evidence regarding compliance was not obtained during compliance control tests documented on Form 809 - Compliance Summary.</p> <ul style="list-style-type: none"><li>• Claims of more than \$100,000 (excluding interest, penalties, and administrative costs) are referred to the Justice Department for compromise, termination, or suspension. See note 4. (31 USC 3711)</li><li>• Required reports on collection activities are filed on a timely basis. See note 5. (31 USC 3719)</li></ul>		

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**Compliance****809 - Federal Claims Collection Act, as Amended by the Debt Collection Act of 1982 Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>6. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none"><li>· identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;</li><li>· report the nature of any weakness in compliance controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);</li><li>· consider the implications of any instances of noncompliance on the financial statements; and</li><li>· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.)</li></ul>		
7. Document conclusions on compliance with each provision on Form 809 - Compliance Summary.		

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**Compliance****809 - Federal Claims Collection Act, as Amended by the Debt Collection Act of 1982 Compliance Summary and Audit Program**

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Note 1: Claims are amounts owed to the government, including amounts owed for loans insured or guaranteed by the government. The term "claim" is used interchangeably with the term "debt" in this law. (31 USC 3701(b))

Interest normally accrues from the date that notice of the debt and the agency's interest policies is first mailed to the debtor. If the agency sends a bill to the debtor in advance of the due date and that bill states the interest policies, interest would accrue from the due date specified in the bill.

The provisions regarding accrual of interest and other charges do not apply to the extent that a statute, related regulation, loan agreement, or contract provides otherwise, or if a claim is under a contract executed before October 25, 1982 that is in effect on October 25, 1982. (31 USC 3717(g)). Accrual of interest and penalties under this law does not apply to amounts owed by other agencies of the federal government, a state government or a unit of general local government or to amounts payable to the entity under the Internal Revenue Code, the Social Security Act, or tariff laws. (31 USC 3701 (c) and (d)). This law, however, does not preclude the charging of interest to state and local governments under authority provided under other laws.

Note 2: The entity shall waive the collection of interest on a claim (or any portion of the claim) that is paid within 30 days after the date on which interest began to accrue. The agency may extend this 30-day period (31 USC 3717(d)). It is not expected that interest that is either accrued or collected on claims that are paid within the 30-day period would be material or otherwise significant for purposes of compliance testing. If the auditor considers this provision to be significant for compliance testing, this form should be tailored to include the appropriate testing procedures.



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**Compliance****809 - Federal Claims Collection Act, as Amended by the Debt Collection Act of 1982 Compliance Summary and Audit Program**

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Note 3: The entity has the authority to waive the collection of interest, penalties, and administrative charges. The entity should follow its own regulations when determining whether a waiver is appropriate. Such regulations should be in conformity with the standards set by the Comptroller General and the Attorney General described in 4 CFR 102.13(g). (31 USC 3717(h))

Note 4: Compromise is the term used when an amount less than the total amount of the claim is accepted by the entity as payment in full. Suspension refers to the temporary deferral of collection activities until such time that collection activity is expected to be more successful. Termination refers to discontinuance of collection activities.

Only the Justice department has the authority to compromise, terminate, or suspend collection on claims that are greater than \$100,000 (excluding interest, penalties, and administrative charges). Pursuant to 4 CFR Parts 103.1 and 104.1, entities generally should use a Claims Collection Litigation Report (CCLR) to refer such matters to the Justice Department.

Note 5: In addition to such other information as may be required by OMB, the report shall include information on

- (a) the total amount of loans and accounts receivable owed the entity and when amounts owed the entity are due to be repaid;
- (b) the total amount of receivables and number of claims at least 30 days past due;
- (c) the total amount written off as actually uncollectible and the total amount allowed for uncollectible loans and accounts receivable;
- (d) the rate of interest charged for overdue debts and the amount of interest charged and collected on debts;
- (e) the total number of claims and the total amount collected; and

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**Compliance****809 - Federal Claims Collection Act, as Amended by the Debt Collection Act of 1982 Compliance Summary and Audit Program**

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- (f) the number and total amount of claims referred to the Attorney General for settlement and the number and total amount of claims the Attorney General settles.

This information shall be included for each program or activity of the entity.

If this report is of special concern or sensitivity to Members of Congress or others, the auditor should consider whether to perform additional procedures regarding the quality of the information included in the report, such as whether the amounts shown are valid, complete, and properly presented. The extent of procedures performed on this information is a matter for the auditor's judgment considering the sensitivity of the information.

Note 6: If multipurpose testing is used for the compliance test and/or compliance control test and/or a substantive detail test of accounts or loans receivable, the sample items for the compliance test and/or compliance control test should be selected using the sampling method used for the substantive test as described in FAM 430. Otherwise, the items should be selected using attribute sampling as discussed in FAM 460.02.

As with all sampling applications, the auditor should consider the completeness of the test population. For efficiency, the auditor should consider using records that were tested for validity, accuracy, and completeness (as well as the other financial statement assertions) in conjunction with substantive tests of the population.

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## Compliance

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### 810 - PROMPT PAYMENT ACT COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Prompt Payment Act are considered to be significant as indicated on Form 802 - General Compliance Checklist.

OMB guidance on the Prompt Payment Act is included in OMB Circular A-125 Prompt Payment.

Name of entity: _____ Audit period: _____		<u>Compliance Summary</u>		Prepared by: _____ Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
1. If payment for property or services from a business concern is not made by the required due date, an interest penalty shall be paid to the concern on the amount of the payment due. The interest penalty shall be paid for the period beginning on the day after the required payment date and ending on the date on which payment is made. (See notes 1, 2, 3, 4, and 5.)  Type: Transaction-based Ref: 31 USC 3902(a) and (b)	1a. All payments for property or services that are not made by the payment due date are identified. (See note 1.)  1b. Interest penalties are calculated and paid on the past due amount using the appropriate interest rate and time period. (See notes 2, 3, 4, and 5.)	[Document the control techniques used by the entity to achieve the objective]		[Indicate yes or no, include reference to supporting workpapers]	[Indicate yes or no, include reference to supporting workpapers]  See Compliance Audit Program 810 Step 4, items (a) and (b).

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**Compliance****810 - Prompt Payment Act Compliance Summary and Audit Program**

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Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
2. Penalties shall be paid out of amounts made available to carry out the program for which the penalty is incurred.  Type: Transaction-based Ref: 31 USC 3902(f)	2. Interest penalties are paid out of the appropriation used to pay related program expenditures.				See Compliance Audit Program 810 Step 4, item (c), step 5, item (c), and step 6.
3. Discounts offered by a business concern may only be taken if payment is made within the specified time as determined from the date of the invoice. An interest penalty shall be paid on improperly taken discounts.  Type: Transaction-based Ref: 31 USC 3904	3a. Discounts taken after the specified time period are identified.  3b. Interest penalties are properly calculated and paid on the amount of any improperly taken discounts using the appropriate interest rate and time period.				See Compliance Audit Program 810 Step 5, items (a) and (b).

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**Compliance****810 - Prompt Payment Act Compliance Summary and Audit Program**

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Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
4. The entity shall submit to OMB a report on the agency's payment practices during the year by November 30 for the prior fiscal year. (See note 6.)  Type: Procedural-based Ref: 31 USC 3906(a)(1)	4. The entity submits the required report on Prompt Payment Act activities to OMB by November 30 for the prior fiscal year. (See note 6.)				See Compliance Audit Program 810 Step 7.

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**Compliance****810 - Prompt Payment Act Compliance Summary and Audit Program**

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Note: This form should be completed only if provisions of the Prompt Payment Act are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

OMB guidance on the Prompt Payment Act is included in OMB Circular A-125 Prompt Payment.

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>1. Based on the preliminary assessment of compliance control effectiveness (as documented on Form 810 - Compliance Summary), select a sample of payments from throughout the audit period. (The sample size will vary based on the expected effectiveness of compliance controls - 32 for effective controls or 59 for ineffective controls as discussed in FAM 460.02). See note 7 regarding sampling efficiencies and completeness of the sample population.</p> <p>Sample size _____</p> <p>Sample selection method _____</p>		

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**Compliance****810 - Prompt Payment Act Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>2. For each item selected in step 1, obtain the supporting documentation for the payment such as the invoice voucher package.</p> <p>(a) Document the following items in the workpapers:</p> <ul style="list-style-type: none"><li>· invoice number</li><li>· payee</li><li>· invoice amount</li><li>· invoice receipt date (or other date used for determining compliance with this law - see step 2 (b))</li><li>· invoice date</li><li>· check or electronic funds transfer number</li><li>· payment date</li><li>· amount of interest penalty paid, if any</li><li>· amount of discount taken, if any</li><li>· appropriation account(s) charged for the expenditure and interest penalty, if any</li></ul>		

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**Compliance****810 - Prompt Payment Act Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>2. (b) For each item selected, note whether the payment was made by the required due date. The required due date may be the date specified in the contract or, if a date is not specified, 30 days after receipt of the invoice (31 USC 3903(a)(1)(A) and (B)). If payment is for meat or meat food products, perishable agricultural products, dairy products or construction contracts, consult with OGC to determine payment due date. Specific payment due dates to avoid interest penalties are established by law for these items. (31 USC 3903(a)(2), (3), (4), and (6)).</p> <p>The invoice receipt date is established as the later of (1) the date the entity's designated representative or office actually receives a proper invoice or (2) the 7th day after the date on which the property is actually delivered or performance of the services is actually completed in accordance with the terms and conditions of the contract (unless the entity accepted the property or services before the 7th day or a longer acceptance period is specified in the contract). If the date of actual invoice receipt is not indicated, the entity must use the invoice date. (31 USC 3901(a)(4)(A) and (B))</p> <p>If the payment was made prior to the payment due date, perform step 3.</p> <p>If the payment was made after the payment due date, perform step 4.</p> <p>If a discount was taken, perform step 5.</p>		



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**Compliance****810 - Prompt Payment Act Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>3. If the payment was made prior to the payment due date, and no discount was taken, determine that no interest penalty was paid.</p> <p>(Note: If the entity did not take advantage of a discount for which it was eligible or if an interest penalty was paid when it was not owed, the auditor generally should follow up on these items for purposes of reporting findings.)</p>		

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**Compliance****810 - Prompt Payment Act Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>4. If the payment was made after the payment due date, determine whether</p> <ul style="list-style-type: none"><li>(a) an interest penalty was paid;</li><li>(b) the amount of the interest penalty was properly calculated; and</li><li>(c) the interest penalty was paid out of the appropriation used to pay the related expenditures.</li></ul> <p>Review the accounting codes indicated on the expense voucher. Determine whether the accounting codes used to record the interest penalty are the same as those used for the related expenditure and whether the codes and amounts agree to those recorded in the budgetary accounting records. (See step 6 regarding proper summarization of amounts.) (31 USC 3902 (a), (b), and (f))</p> <p>Investigate any differences between the amount of interest penalty calculated by the auditor and the amount paid by the entity, including any instances when an interest penalty was owed but not paid. See note 5. Investigate any instances when the proper appropriation account was not charged.</p> <p>See note 2 regarding the interest rate to be used. See notes 3 and 4 regarding the period of time the penalty should cover.</p>		

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**Compliance****810 - Prompt Payment Act Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>5. If a discount was taken, determine whether it was taken during the specified time period the discount was available. If the discount was taken during the specified time period, further consideration is not necessary.</p> <p>If any discounts are taken after the appropriate time period, determine whether</p> <ul style="list-style-type: none"><li>(a) an interest penalty was paid;</li><li>(b) the amount of the interest penalty was properly calculated; and</li><li>(c) the interest penalty was charged against the appropriation used for the related expenditures.</li></ul> <p>Review the budget accounting codes indicated on the expense voucher. Determine whether the budget accounting codes indicated on the voucher for the interest penalty are the same as those used for the related expenditure. Determine whether the codes and amounts on the voucher agree to those recorded in the budgetary accounting records. (See step 6 regarding proper summarization of the budgetary amounts.) (31 USC 3902 (a), (b), and (f), and 31 USC 3904)</p> <p>(continued)</p>		

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**Compliance****810 - Prompt Payment Act Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>5. (continued)</p> <p>Interest penalties should be calculated on the amount of the discount. The penalty accrues on the amount of the discount from the last date specified that the discounted amount may be paid (31 USC 3904). See note 2 regarding the interest rate to be used to calculate the interest penalty.</p> <p>Investigate any differences between the amount of interest penalty calculated by the auditor and the amount paid by the entity, including any instances when an interest penalty was owed but not paid. Investigate any instances when the proper appropriation account was not charged.</p>		
<p>6. Consider the procedures performed on the entity's budget controls over summarization of expenditure balances as discussed in FAM 395 F.</p> <p>If the auditor has assessed the entity's controls as <u>effective</u> in achieving the control objective of summarization of expenditure balances, further procedures are not necessary to obtain assurance as to whether interest penalties are paid out of the proper appropriation account.</p> <p>If the auditor has assessed the controls as <u>ineffective</u>, the auditor should perform procedures to determine whether the entity has properly summarized the expenditure balances as described in FAM 495 B.</p>		

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**Compliance****810 - Prompt Payment Act Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>7. The objective listed below relates to a procedural-based provision. As discussed in FAM 460.06, sufficient procedures usually are performed in conjunction with tests of compliance controls for procedural-based provisions to conclude on the entity's compliance without performing additional procedures. Additional procedures should <u>not</u> be performed to obtain evidence regarding compliance with the provision related to the following objective unless sufficient evidence regarding compliance was not obtained during compliance control tests documented on Form 810 - Compliance Summary.</p> <p>· The entity submits the required report on Prompt Payment Act activities to OMB by November 30 for the prior fiscal year.</p>		

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**Compliance****810 - Prompt Payment Act Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>8. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none"><li>· identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;</li><li>· report the nature of any weakness in compliance controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);</li><li>· consider the implications of any instances of noncompliance on the financial statements; and</li><li>· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.)</li></ul>		
<p>9. Document conclusions on compliance with each provision on Form 810 - Compliance Summary.</p>		

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**Compliance****810 - Prompt Payment Act Compliance Summary and Audit Program**

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Note 1: The required due date is generally the date specified in the contract or, if a date is not specified, 30 days after receipt of the invoice (31 USC 3903(a)(1)(A) and (B)). If payment is for meat or meat food products, perishable agricultural products, dairy products or construction contracts, consult with OGC to determine payment due date. Specific payment due dates to avoid interest penalties are established by law for these items. (31 USC 3903(a)(2), (3), (4), and (6)).

The invoice receipt date is established as the later of (1) the date the entity's designated representative or office actually receives a proper invoice or (2) the 7th day after the date on which the property is actually delivered or performance of the services is actually completed in accordance with the terms and conditions of the contract, unless the entity accepted the property or services before the 7th day or a longer acceptance date is specified in the contract. If the date of actual invoice receipt is not indicated, the entity must use the invoice date. (31 USC 3901(a)(4)(A) and (B))

Note 2: Interest shall be calculated at the rate set by the Secretary of the Treasury under section 12 of the Contract Disputes Act of 1978 (41 USC 611) that is in effect at the time the entity accrues the obligation to pay a late payment interest penalty. The rates are published in the Federal Register. (31 USC 3902(a))

Note 3: The interest penalty shall be paid for the period beginning on the day after the required payment date and ending on the date on which payment is made. (31 USC 3902(b))

An interest penalty not paid after any 30-day period shall be added to the principal amount of the debt, and a penalty accrues thereafter on the combined amount of principal and interest. (31 USC 3902(e))

Note 4: A payment is deemed to be made on the date a check for payment is dated or an electronic transfer is made. (31 USC 3901)(a)(5)

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**Compliance****810 - Prompt Payment Act Compliance Summary and Audit Program**

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Note 5: The temporary unavailability of funds to make a timely payment due for property or services does not relieve the entity head of the obligation to pay interest penalties under this law. (31 USC 3902 (d))

Note 6: The report should include a description of the extent to which the entity's practices satisfy the requirements of this law. In addition to such other information as may be required by the Director of OMB, the report shall include

- (a) the number, dollar value, and percentage of invoices for which interest or other late payment penalties were paid; the amount of such late payment interest and other penalties; and the reasons the interest penalties were not avoided by prompt payment; and
- (b) the number, dollar value, and percentage of invoices paid after the required payment date without payment of an interest penalty or other late payment penalty, and the reasons no obligation to pay such penalties was incurred with respect to such invoices or no amount for such penalties were included in the payment of such invoices. (31 USC 3906(a))

Note 7: If multipurpose testing is used for the compliance test and/or compliance control test and/or a substantive detail test of payments, the sample items for the compliance test and/or compliance control test should be selected using the sampling method used for the substantive test as described in FAM 430. Otherwise, the items should be selected using attribute sampling as discussed in FAM 460.02.

As with all sampling applications, the auditor should consider the completeness of the test population. For efficiency, the auditor should consider using records that were tested for validity, accuracy, and completeness (as well as the other financial



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**Compliance****810 - Prompt Payment Act Compliance Summary and Audit Program**

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statement assertions) in conjunction with substantive tests of the population.

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## Compliance

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### 811 - SINGLE AUDIT ACT OF 1984 COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Single Audit Act of 1984 are considered to be significant as indicated on Form 802 - General Compliance Checklist.

Name of entity: _____ Audit period: _____		<u>Compliance Summary</u>		Prepared by: _____ Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
1. A cognizant agency shall ensure that audits are made in a timely manner and in accordance with the requirements of this law as described in note 3.  Type: Procedural-based Ref: 31 USC 7504(b)(1)	1. Audits are performed on a timely basis on state and local governments and other bodies receiving federal funds (hereafter called organizations) for which the federal entity is the cognizant agency. Such audits are conducted in accordance with the law as described in note 3.	[Document the control techniques used by the entity to achieve the objective]		[Indicate yes or no, include reference to supporting workpapers]	[Indicate yes or no, include reference to supporting workpapers]  See Compliance Audit Program 811 Step 4

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**Compliance****811 - Single Audit Act of 1984 Compliance Summary and Audit Program**

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Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
2. A cognizant agency shall ensure that audit reports and corrective action plans made pursuant to this law are transmitted to the appropriate federal officials.  Type: Procedural-based Ref: 31 USC 7504(b)(2)	2. All audit reports and any corrective action plans are transmitted to agencies whose funds were included in the audit reports and corrective actions plans. (See note 5.)				See Compliance Audit Program 811 Step 4

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**Compliance****811 - Single Audit Act of 1984 Compliance Summary and Audit Program**

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Note: This form should be completed only if provisions of the Single Audit Act of 1984 are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
Note: The provisions identified for testing are procedural-based provisions. As discussed in FAM 460.06, sufficient procedures usually are performed in conjunction with tests of compliance controls for these procedural-based provisions to conclude on the entity's compliance without performing additional procedures. Additional procedures should <u>not</u> be performed to obtain evidence regarding compliance with the provisions related to these objectives unless sufficient evidence regarding compliance was not obtained during compliance control tests documented on Form 811 - Compliance Summary.		
Procedures 1-3 listed below may be used to design compliance control tests of the procedural provisions identified for testing.  Procedures 4-6 listed below should be performed in all situations if provisions of the Single Audit Act of 1984 are considered to be significant.		

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**Compliance****811 - Single Audit Act of 1984 Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
1. Determine whether the entity has procedures to provide reasonable assurance that audits are performed on a timely basis on organizations receiving federal financial assistance funds for which the entity is the cognizant agency. Obtain a list of all recipients for which the entity is the cognizant agency. Review records maintained by the entity regarding federal fund recipients and audits performed to determine whether the list is complete. Select an appropriate number of federal fund recipients from the list and determine whether the required audit reports were received. If the audit reports have not yet been received, discuss the reasons for the delay with entity personnel, including the actions being taken by the entity to resolve the matter. The number of recipients selected should be sufficient, in the auditor's judgment, to conclude as to the entity's compliance with this requirement.		

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**Compliance****811 - Single Audit Act of 1984 Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>2. Determine whether the agency has procedures to provide reasonable assurance that audits that are performed pursuant to this law comply with the requirements of the law. Select individual audit reports to test compliance with the following audit requirements (the number of reports selected should be sufficient, in the auditor's judgment, to conclude as to the entity's compliance):</p> <ul style="list-style-type: none"><li>• The audit shall be conducted by an independent auditor in accordance with generally accepted government auditing standards. (31 USC 7502(c)).</li><li>• Each audit shall cover the entire state or local government's operations except, at the option of such government, the audit may cover only each department, agency, or establishment which received, expended, or otherwise administered federal financial assistance during the fiscal year (31 USC 7502(d)(1)(A)). If the government received more than a total of \$25,000 in general revenue sharing funds, the audit shall cover the government's entire operations, and no option is available (31 USC 7502(d)(5)). Public hospitals and public colleges and universities may be excluded from these audits (31 USC 7502(d)(1)(B)).</li><li>• Each audit shall include a report as to whether<ul style="list-style-type: none"><li>(A) the financial statements of the audited organization are presented fairly in accordance with generally accepted accounting principles;</li></ul></li></ul>		

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**Compliance****811 - Single Audit Act of 1984 Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>2. (continued)</p> <p>(B) the audited organization complied with laws and regulations that may have a material effect upon the audited organization's financial statements;</p> <p>(C) the audited organization has internal control systems to provide reasonable assurance that it is managing federal financial assistance programs in compliance with applicable laws and regulations; and</p> <p>(D) the audited organization has complied with laws and regulations that may have a material effect on each major federal assistance program. (31 USC 7502(d)(2))</p> <ul style="list-style-type: none"><li>• When conducting these audits, the independent auditor shall select and test a representative number of transactions from each major federal assistance program. Transactions selected from federal assistance programs pursuant to the test requirements in (A), (B), and (C) in the preceding paragraph shall be tested for compliance with federal laws and regulations that apply to such transactions. Any noncompliance found in such transactions by the auditor shall be reported. (31 USC 7502(d)(2) and (3))</li><li>• Within 30 days of the completion of the audit report, the auditee shall transmit the report to the appropriate federal officials and make it available for public inspection. (31 USC 7502(f))</li></ul> <p>(continued)</p>		

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**Compliance****811 - Single Audit Act of 1984 Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
2. (continued)  · If an audit finds any material noncompliance with applicable laws and regulations by, or material weakness in the internal controls of, the audited organization, the audited organization shall submit to the appropriate federal officials a plan for corrective action to eliminate the problem found or a statement describing the reasons that corrective action is not necessary. (31 USC 7502(g))		
3. Determine whether the entity has procedures for the transmittal of audit reports and corrective action plans, if applicable, to other agencies whose funds were included in the audit and corrective actions plans. Using the audit reports selected in step 2, select agencies whose funds were included in the audit and review transmittal information indicating that audit reports and corrective action plans have been sent to the appropriate agencies (these reports might be sent either by the cognizant agency or the audited organization). The number of organizations selected from individual audit reports should be sufficient, in the auditor's judgment, to conclude as to compliance with this requirement.		
4. Document whether sufficient evidence was obtained during compliance control tests to conclude as to compliance with the procedural provisions and perform any additional procedures considered necessary.		



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**Compliance****811 - Single Audit Act of 1984 Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>5. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none"><li>· identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;</li><li>· report the nature of any weakness in compliance controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);</li><li>· consider the implications of any instances of noncompliance on the financial statements; and</li><li>· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.)</li></ul>		
6. Document conclusions on compliance with each provision on Form 811 - Compliance Summary.		

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**Compliance****811 - Single Audit Act of 1984 Compliance Summary and Audit Program**

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- Note 1: A cognizant agency is a federal agency which is assigned by the Director of OMB the responsibility for implementing the requirements of this law with respect to a particular state or local government. (31 USC 7501(1)).
- Note 2: Federal financial assistance is assistance provided by a federal agency in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations, but does not include direct federal cash assistance to individuals. (31 USC 7501(4)).
- Note 3: Audits are required to be performed under this law for organizations that receive a total amount of federal financial assistance of \$100,000 or more in any fiscal year. If an organization receives an amount equal to or greater than \$25,000 but less than \$100,000, an audit shall be performed as described by this law or the organization may comply with audit requirements of the programs under which the federal financial assistance is received. Organizations that receive less than \$25,000 are exempt from an audit under this law or under audit requirements of the program under which the federal assistance is received. An organization is considered to have received federal financial assistance whether such assistance is received directly from a federal agency or indirectly through another state or local government. (31 USC 7502(a)).

Audits performed under this law shall meet the following requirements:

- The audit shall be conducted by an independent auditor in accordance with generally accepted government auditing standards. (31 USC 7502(c)).
- Each audit shall cover the entire state or local government's operations except, at the option of such government, the audit may cover only each department, agency, or establishment which

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**Compliance****811 - Single Audit Act of 1984 Compliance Summary and Audit Program**

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received, expended or otherwise administered federal financial assistance during the fiscal year (31 USC 7502(d)(1)(A)). If the government received more than a total of \$25,000 in general revenue sharing funds, the audit shall cover the government's entire operations, and no option is available (31 USC 7502(d)(5)). Public hospitals and public colleges and universities may be excluded from these audits. (31 USC 7502(d)(1)(B)).

- Each audit shall include a report as to whether (A) the financial statements of the audited organization are presented fairly in accordance with generally accepted accounting principles; (B) the audited organization complied with laws and regulations that may have a material effect upon the audited organization's financial statements; (C) the audited organization has internal control systems to provide reasonable assurance that it is managing federal financial assistance programs in compliance with applicable laws and regulations; and (D) the audited organization has complied with laws and regulations that may have a material effect on each major federal assistance program. (31 USC 7502(d)(2)).
- When conducting these audits, the independent auditor shall select and test a representative number of transactions from each major federal assistance program. Transactions selected from federal assistance programs pursuant to the test requirements in (A), (B), and (C) in the preceding paragraph shall be tested for compliance with federal laws and regulations that apply to such transactions. Any noncompliance found in such transactions by the auditor shall be reported. (31 USC 7502(d)(2) and (3)).
- Within 30 days of the completion of the audit report, the auditee shall transmit the report to the appropriate federal officials and make it available for public inspection. (31 USC 7502(f)).
- If an audit finds any material noncompliance with applicable laws and regulations by, or material weakness in the internal

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**Compliance****811 - Single Audit Act of 1984 Compliance Summary and Audit Program**

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controls of, the audited organization, the audited organization shall submit to the appropriate federal officials a plan for corrective action to eliminate the problem found or a statement describing the reasons that corrective action is not necessary. (31 USC 7502(g)).

Note 4: The definition of a major federal assistance program for purposes of this law varies with the size of the organization receiving the federal funds and may be found in 31 USC 7501(12).

Note 5: The auditor may choose to review the entity's procedures for reviewing audit quality and follow up on corrective action plans if considered to be a significant area of entity operations by the auditor.

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## Compliance

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### 812 - CIVIL SERVICE REFORM ACT OF 1978, AS AMENDED, AND FAIR LABOR STANDARDS ACT COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Civil Service Reform Act of 1978, as amended, and the Fair Labor Standards Act are considered to be significant as indicated on Form 802 - General Compliance Checklist.

Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
1. Pay for a specific position should be based on the appropriate pay schedule or pay rate.  Type: Transaction-based Ref: 5 USC 5332 and 5343	1. Employees are paid at appropriate rates.	[Document the control techniques used by the entity to achieve the objective]		[Indicate yes or no, include reference to supporting workpapers]	[Indicate yes or no, include reference to supporting workpapers]  See Compliance Audit Program 812 Step 4(b)

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**Compliance****812- Civil Service Reform Act of 1978, as Amended, and Fair Labor Standards Act Compliance Summary and Audit Program**

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Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
2. Employer shall pay employees at least minimum wage (\$4.25 per hour after March 31, 1991). (See note 1.)  Type: Transaction-based Ref: 29 USC 206	3. Employees are paid at least minimum wage. (See note 1.)				See Compliance Audit Program 812 Step 4(b)

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**Compliance****812 - Civil Service Reform Act of 1978, as Amended, and Fair Labor Standards Act Compliance Summary and Audit Program**

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Note: This form should be completed only if provisions of the Civil Service Reform Act of 1978, as amended, and the Fair Labor Standards Act are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
Note: These tests are closely related to procedures performed for substantive detail tests of payroll expense. Use of multipurpose testing in this situation is strongly encouraged.		
1. Based on the preliminary assessment of compliance control effectiveness (as documented on Form 812 - Compliance Summary), select an appropriate number of disbursements from the payroll records throughout the audit period. (The sample size will vary based on the expected effectiveness of compliance controls - 32 for effective controls or 59 for ineffective controls as discussed in FAM 460.02). See note 2 regarding sampling efficiencies and completeness of the sample population.  Sample size _____ Sample selection method _____		

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**Compliance****812 - Civil Service Reform Act of 1978, as Amended, and Fair Labor Standards Act Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
2. For each item selected in 1, note the following information: <ul style="list-style-type: none"><li>· employee name</li><li>· employee social security number</li><li>· pay period (number and dates)</li><li>· amount of gross pay for the period</li><li>· pay rate</li><li>· total hours worked</li><li>· number of hours worked at regular pay and other pay (i.e., overtime, premium pay, etc.)</li></ul>		
3. For each item selected in 1, obtain the employee's personnel file and note the following in effect for the pay period selected: <ul style="list-style-type: none"><li>· the employee's grade and step</li><li>· the employee's pay rate</li></ul>		



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**Compliance****812 - Civil Service Reform Act of 1978, as Amended, and Fair Labor Standards Act Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>4. For each item selected in 1,</p> <p>(a) Calculate the amount of gross pay using the hours worked and the employee's pay rate indicated on the payroll records. Compare the amount of gross pay calculated by the auditor to the amount shown on the payroll records for the selected pay period and investigate any differences.</p> <p>Note: To convert basic annual amount to a daily, weekly or biweekly amount, divide the annual rate by 2,087 for an hourly rate. Multiply the hourly rate by number of either daily hours, 40 for weekly, or 80 for biweekly amounts. (5 USC 5504)</p>		
<p>4. (b) Compare the employee's pay rate in the payroll records to the appropriate pay rate for the employee's approved grade and step on the pay schedules established by Executive order. (Use the approved grade and step indicated in the employee's personnel records for this test.) Investigate any differences between the actual pay rate for the period selected and the authorized amounts. (5 USC 5332 and 5343)</p> <p>If the employee's pay is not set by these pay schedules, determine whether the amount paid is properly authorized and whether the pay rate is at least minimum wage (\$4.25 per hour after March 31, 1991). (29 USC 206)</p>		

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**Compliance****812 - Civil Service Reform Act of 1978, as Amended, and Fair Labor Standards Act Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>5. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none"><li>· identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;</li><li>· report the nature of any weakness in compliance controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);</li><li>· consider the implications of any instances of noncompliance on the financial statements; and</li><li>· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.)</li></ul>		
<p>6. Document conclusions on compliance with each provision on Form 812 - Compliance Summary.</p>		

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**Compliance****812 - Civil Service Reform Act of 1978, as Amended, and Fair Labor Standards Act Compliance Summary and Audit Program**

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Note 1: To convert basic annual amount to a daily, weekly, or biweekly amount, divide the annual rate by 2,087 for an hourly rate. Multiply the hourly rate by number of either daily hours, 40 for weekly, or 80 for biweekly amounts. (5 USC 5504)

Note 2: If multipurpose testing is used for the compliance test and/or compliance control test and a substantive detail test of payroll expense, the sample items for the compliance test and/or compliance control test should be selected using the sampling method used for the substantive test. Otherwise, the items should be selected using attribute sampling, as discussed in FAM 460.02.

As with all sampling applications, the auditor should consider the completeness of the test population. For efficiency, the auditor should consider using records that were tested for validity and completeness (as well as the other financial statement assertions) in conjunction with substantive tests of payroll or other payroll related compliance tests.

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## Compliance

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### 813 - CIVIL SERVICE RETIREMENT ACT OF 1930 COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Civil Service Retirement Act of 1930 are considered to be significant as indicated on Form 802 - General Compliance Checklist.

Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
1. For each employee employed prior to January 1, 1984, the entity shall withhold 7 percent of the basic pay of the employee. (See notes 1 and 2.)  Type: Transaction-based Ref: 5 USC 8334(a)(1)	1. The appropriate amount is withheld from employee's pay. (See notes 1 and 2.)	[Document the control techniques used by the entity to achieve the objective]		[Indicate yes or no, include reference to supporting workpapers]	[Indicate yes or no, include reference to supporting workpapers]  See Compliance Audit Program 813 Step 4(b)

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**Compliance****813- Civil Service Retirement Act of 1930 Compliance Summary and Audit Program**

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Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
2. An amount equal to the amount withheld from the employee's pay shall be contributed by the entity from the appropriation or fund used to pay the employee.  Type: Transaction-based and Quantitative-based Ref: USC 5 USC 8334(a)(1)	2. The entity contribution for employee retirement is calculated properly, summarized properly, and charged to the proper appropriation account or fund.				See Compliance Audit Program 813 Steps 4(c) and 5
3. Amounts withheld from employees and the sum contributed by the entity for retirement benefits shall be deposited in the Treasury to the credit of the Civil Service Retirement and Disability Fund.  Type: Procedural-based and Quantitative based Ref: 5 USC 8334(a)(2)	3. Withholdings from employees and entity contributions for retirement benefits are properly summarized and deposited in the Treasury to the credit of the Civil Service Retirement and Disability Fund.				See Compliance Audit Program 813 Steps 6 and 7

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**Compliance****813 - Civil Service Retirement Act of 1930 Compliance Summary and Audit Program**

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Note: This form should be completed only if provisions of the Civil Service Retirement Act of 1930 are considered to be significant as indicated on Form 802 -General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>1. Based on the preliminary assessment of compliance control effectiveness (as documented on Form 813 - Compliance Summary), select a sample of expense amounts for individuals' gross pay from the payroll disbursement records for the audit period for employees covered by the Civil Service Retirement Act (CSRS). (See note 1.)</p> <p>(The sample size will vary based on the expected effectiveness of compliance controls - 32 for effective controls or 59 for ineffective controls as discussed in FAM 460.02). See note 3 regarding sampling efficiencies and completeness of the sample population.</p> <p>Sample size _____</p> <p>Sample selection method _____</p>		

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**Compliance****813 - Civil Service Retirement Act of 1930 Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
2. For each selection made in 1, document the following for the pay period selected: <ul style="list-style-type: none"><li>· the amount withheld for the cost of retirement benefits,</li><li>· the amount of basic pay, and</li><li>· if indicated in the payroll disbursement records, document the retirement plan under which the withholdings were made (CSRS or FERS). (Only employees covered by CSRS should be included in this compliance test.)</li></ul>		
3. For each item selected in 1, obtain the employee's personnel file and note the following: <ul style="list-style-type: none"><li>· employee hire date,</li><li>· amount of basic pay, and</li><li>· the retirement plan under which the employee is covered.</li></ul>		
4. For each selection made in 1, <ul style="list-style-type: none"><li>(a) Compare the amount of basic pay indicated in the employee's personnel file with the amount indicated in the payroll records and investigate any differences.</li></ul>		

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**Compliance****813 - Civil Service Retirement Act of 1930 Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
4. (b) Calculate the amount of the withholdings for retirement costs based on 7 percent of basic pay for executive branch employees (see note 2 for percentages for other employees) for the selected pay period and document the amount in the workpapers. Compare to the actual amount withheld for the selected pay period and investigate any differences. (5 USC 8334(a)(1))		
4. (c) Determine whether the entity contributed an equal amount for the employee's retirement for the selected pay period. Investigate any differences between the employee and entity contributions. (5 USC 8334(a)(1))		



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**Compliance****813 - Civil Service Retirement Act of 1930 Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>5. Determine whether amounts contributed by the entity are charged to the appropriation or fund used to pay the employee for the selected pay period by performing the following procedures:</p> <p>(a) Review the accounting codes indicated on the supporting documentation.</p> <p>(b) Determine whether the accounting codes used to record the entity contribution are the same as those used for the related payroll expenditure and whether the codes and amounts agree to those recorded in the budgetary accounting records.</p> <p>(c) Consider the procedures performed on the entity's budget controls over summarization of expenditure balances as discussed in FAM 395 F.</p> <p>If the auditor has assessed the entity's controls as <u>effective</u> in achieving the control objective of summarization of expenditure balances, further procedures are not necessary to obtain assurance as to whether the entity's contributions are paid out of the proper appropriation account.</p> <p>If the auditor has assessed the controls as <u>ineffective</u>, the auditor should perform procedures to determine whether the entity has properly summarized the expenditure balances as described in FAM 495 B.</p> <p>(5 USC 8334 (a)(1))</p>		

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**Compliance****813 - Civil Service Retirement Act of 1930 Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
6. Determine whether the entity has effective controls over the proper summarization of the amounts withheld from employees for retirement costs under this law and the entity contributions for remittance to Treasury. If the entity does not have effective controls for summarization, test the summarization of the totals that include the items selected for testing in step 1.		
7. Compare the combined totals of employee withholdings and entity contributions that include each selection made in step 1 to the deposit made to Treasury and the remittance sent to OPM and investigate any differences. The funds should be deposited in the Treasury to the credit of the Civil Service Retirement and Disability Fund. (5 USC 8334(a)(2))		

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**Compliance****813 - Civil Service Retirement Act of 1930 Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>8. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none"><li>· identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;</li><li>· report the nature of any weakness in compliance controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);</li><li>· consider the implications of any instances of noncompliance on the financial statements; and</li><li>· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.)</li></ul>		
9. Document conclusions on compliance with each provision on Form 813 - Compliance Summary.		

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**Compliance****813 - Civil Service Retirement Act of 1930 Compliance Summary and Audit Program**

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Note 1: Employees may be covered by the Civil Service Retirement Act (CSRS) or the Federal Employees' Retirement Act (FERS), generally depending on their employment date.

Note 2: For executive branch employees, the percentage to be withheld is 7 percent; for Congressional employees - 7½ percent; and for Members of Congress - 8 percent. (5 USC 8334(a)(1))

Note 3: If multipurpose testing is used for the compliance test and/or compliance control test and a substantive detail test of payroll expense, the sample items for the compliance test and/or compliance control test should be selected using the sampling method used for the substantive test. Otherwise, the items should be selected using attribute sampling, as discussed in FAM 460.02.

As with all sampling applications, the auditor should consider the completeness of the test population. For efficiency, the auditor should consider using records that were tested for validity and completeness (as well as the other financial statement assertions) in conjunction with substantive tests of payroll or other payroll related compliance tests.

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## Compliance

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### 814 - FEDERAL EMPLOYEES HEALTH BENEFITS ACT OF 1959 COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Federal Employees Health Benefits Act of 1959 are considered to be significant as indicated on Form 802 - General Compliance Checklist.

Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
1. For each full-time employee enrolled in a health benefits plan, a biweekly contribution shall be made by the entity in an amount determined by OPM for each type of insurance plan. (See note 1 for part-time career employees.)  Type: Transaction-based Ref: 5 USC 8906(b)(1)	1. The amount of the entity contribution for health insurance benefits is calculated properly for employees who elect to enroll in a health benefits plan.	[Document the control techniques used by the entity to achieve the objective]		[Indicate yes or no, include reference to supporting workpapers]	[Indicate yes or no, include reference to supporting workpapers]  See Compliance Audit Program 814 Step 4(b)

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**Compliance****814- Federal Employees Health Benefits Act of 1959 Compliance Summary and Audit Program**

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Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
2. The entity contribution for the cost of health insurance shall be paid from the appropriation or fund that is used to pay the employee.  Type: Transaction-based and Quantitative-based Ref: 5 USC 8906(f)	2. Entity contributions for the cost of employee health insurance are summarized properly and charged to the proper appropriation account or fund.				See Compliance Audit Program 814 Step 4(c)
3. An amount shall be withheld from the employee's pay to cover the total cost of enrollment in the health benefit plan selected by the employee after the amount of the entity contribution is subtracted.  Type: Transaction-based Ref: 5 USC 8906(d)	3. Withholdings are made for the employee's share of the cost of health insurance and are calculated properly.				See Compliance Audit Program 814 Step 4(a)

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**Compliance****814- Federal Employees Health Benefits Act of 1959 Compliance Summary and Audit Program**

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Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
4. Amounts withheld from employees and the sum contributed by the entity for health insurance costs shall be deposited in the Treasury to the credit of the Employees Health Benefits Fund.  Type: Procedural-based and Quantitative-based Ref: 5 USC 8909	4. Withholdings from employees and entity contributions for health insurance costs are properly summarized and deposited in the Treasury to the credit of the Employees Health Benefits Fund.				See Compliance Audit Program 814 Step 5 and 6

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**Compliance****814 - Federal Employees Health Benefits Act of 1959 Compliance  
Summary and Audit Program**

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Note: This form should be completed only if provisions of the Federal Employees Health Benefits Act of 1959 are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>1. Based on the preliminary assessment of compliance control effectiveness (as documented on Form 814 - Compliance Summary), select a sample of expense amounts for individuals' gross pay from the payroll disbursement records for the audit period.</p> <p>(The sample size will vary based on the expected effectiveness of compliance controls - 32 for effective controls or 59 for ineffective controls as discussed in FAM 460.02). See note 2 regarding sampling efficiencies and completeness of the sample population.</p> <p>Sample size _____</p> <p>Sample selection method _____</p>		
<p>2. For each selection made in step 1, document the employee, the pay period selected, and the amount withheld for the pay period selected, if any, for the cost of health insurance. If available, document the health plan enrollment code.</p>		



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**Compliance****814 - Federal Employees Health Benefits Act of 1959 Compliance  
Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>3. For each selection made in step 1, obtain the employee's personnel file and note whether the employee elected health insurance coverage for the period to which payroll disbursement relates. Such coverage should be indicated on OPM form SF 2809.</p> <p>If the employee did not elect health insurance coverage, investigate why amounts are being withheld for the cost of insurance and determine whether any entity contributions are being made inappropriately as well.</p>		
<p>4. If the employee identified in 3 elected coverage, perform the following steps:</p> <p>(a) Obtain the schedule of health insurance costs for all plans published by OPM. Using the enrollment code for the plan selected by the employee on OPM form SF 2809, calculate the employee's portion of the health insurance cost and document in the workpapers. Compare to the amount actually withheld for the selected pay period and investigate any differences. (5 USC 8906(d))</p>		

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**Compliance****814 - Federal Employees Health Benefits Act of 1959 Compliance  
Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
4. (b) For each employee in (a), determine the appropriate amount of the entity's contribution for its share of health insurance costs by using the OPM schedule of costs. Compare to the amount actually contributed by the entity for the employee's health insurance for the selected pay period and investigate any differences. (See note 1 for part-time career employees.) (5 USC 8906(b)(1))		
4. (c) For each employee in (b), determine whether amounts contributed by the entity are charged to the appropriation or fund that is used to pay the employee for the selected pay period by performing the following procedures:  (1) Review the accounting codes indicated on the supporting documentation.  (2) Determine whether the accounting codes used to record the entity contribution are the same as those used for the related payroll expenditure and whether the codes and amounts agree to those recorded in the budgetary accounting records.		

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**Compliance****814 - Federal Employees Health Benefits Act of 1959 Compliance  
Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>4. (c) (3) Consider the procedures performed on the entity's budget controls over summarization of expenditure balances as discussed in FAM 395 F.</p> <p>If the auditor has assessed the entity's controls as <u>effective</u> in achieving the control objective of summarization of expenditure balances, further procedures are not necessary to obtain assurance as to whether the entity's contributions are paid out of the proper appropriation account.</p> <p>If the auditor has assessed the controls as <u>ineffective</u>, the auditor should perform procedures to determine whether the entity has properly summarized the expenditure balances as described in FAM 495 B. (5 USC 8906(f))</p>		
<p>5. Determine whether the entity has effective controls over the proper summarization of the amounts withheld from employees for health insurance costs under this law and the entity contributions for remittance to Treasury. If the entity does not have effective controls for summarization, test the summarization of the totals that include the items selected for testing in step 1.</p>		

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**Compliance****814 - Federal Employees Health Benefits Act of 1959 Compliance  
Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
6. Compare the total cost of health insurance on the entity's records (employee and employer portions) for the selected pay period to the deposit made to Treasury and the remittance sent to OPM and investigate any differences. The funds should be deposited in the Treasury to the credit of the Employees Health Benefits Fund. (5 USC 8909)		
7. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI, to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.  For any noncompliance noted, the auditor should  · identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;  · report the nature of any weakness in compliance controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);  · consider the implications of any instances of noncompliance on the financial statements; and  · report instances of noncompliance, as appropriate. (See FAM 580.58-.66.)		
8. Document conclusions on compliance with each provision on Form 814 - Compliance Summary.		

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**Compliance****814 - Federal Employees Health Benefits Act of 1959 Compliance  
Summary and Audit Program**

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Note 1: For part-time career employees, the biweekly entity contribution shall be calculated on a prorata basis based on the ratio of number of scheduled part-time hours to the number of scheduled regular hours for an employee serving in a comparable position on a full-time basis. (5 USC 8906(b)(3)).

Note 2: If multipurpose testing is used for the compliance test and/or compliance control test and a substantive detail test of payroll expense, the sample items for the compliance test and/or compliance control test should be selected using the sampling method used for the substantive test. Otherwise, the items should be selected using attribute sampling, as discussed in FAM 460.02.

As with all sampling applications, the auditor should consider the completeness of the test population. For efficiency, the auditor should consider using records that were tested for validity and completeness (as well as the other financial statement assertions) in conjunction with substantive tests of payroll or other payroll related compliance tests.

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## Compliance

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### 815 - FEDERAL EMPLOYEE'S GROUP LIFE INSURANCE ACT OF 1980 COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Federal Employee's Group Life Insurance Act of 1980 are considered to be significant as indicated on Form 802 - General Compliance Checklist.

Name of entity: _____ Audit period: _____		<u>Compliance Summary</u>		Prepared by: _____ Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
1. An employee desiring not to be insured shall give written notice to his employing office on OPM form SF 2817. (See note 1.)  Type: Transaction-based Ref: 5 USC 8702(b)	1. Entity must have written notification if an employee declines coverage. (See note 1.)	[Document the control techniques used by the entity to achieve the objective]		[Indicate yes or no, include reference to supporting workpapers]	[Indicate yes or no, include reference to supporting workpapers]  See Compliance Audit Program 815 Step 3

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**Compliance****815- Federal Employee's Group Life Insurance Act of 1980 Compliance Summary and Audit Program**

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Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
2. An employee eligible for insurance is entitled to be insured for an amount of group life insurance equal to  (a) the employee's basic insurance amount (see note 2) multiplied by  (b) the appropriate factor determined on the basis of the employee's age in accordance with the schedule in the law (see note 3).  Type: Transaction-based Ref: 5 USC 8704(a)(1) and (2)	2. The amount of basic insurance is properly calculated using the correct amount of basic pay. (See notes 2, 3, and 5.)				See Compliance Audit Program 815 Step 4(a)

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**Compliance****815- Federal Employee's Group Life Insurance Act of 1980 Compliance Summary and Audit Program**

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Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
<p>3. The amount withheld from the pay, annuity, or compensation of each employee subject to insurance deductions shall be at the rate, adjusted to the nearest half-cent, of <del>66%</del> percent of the level cost as determined by OPM for each \$1,000 of the employee's basic insurance amount. (See note 6.)</p> <p>(See OPM publication SF 2817-A "A Description and Certification of Enrollment in the FEGLI Program" for the cost of the insurance.)</p> <p>Type: Transaction-based Ref: 5 USC 8707(c)</p>	<p>3. Withholdings are made for the employee's share of the cost of life insurance and are calculated at the proper amount. (See note 6.)</p>				See Compliance Audit Program 815 Step 4(b)



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**Compliance****815- Federal Employee's Group Life Insurance Act of 1980 Compliance Summary and Audit Program**

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Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
4. For each period in which an employee is insured, a sum equal to one-half the amount that is withheld from the pay of the employee shall be contributed from the appropriation or fund which is used to pay the employee.  Type: Transaction-based and Quantitative-based Ref: 5 USC 8708(a)	4. Contributions are made for the agency's share of the cost of employee life insurance that are calculated properly, summarized properly, and charged to the proper appropriation account or fund. (See note 6.)				See Compliance Audit Program 815 Steps 4(c) and 4(d)
5. Amounts withheld from employees and the sum contributed by the entity for life insurance costs shall be deposited in the Treasury to the credit of the Employees' Life Insurance Fund.  Type: Procedural-based and Quantitative-based Ref: 5 USC 8714	5. Withholdings from employees and entity contributions for life insurance costs are summarized properly and deposited in the Treasury to the credit of the Employees' Life Insurance Fund.				See Compliance Audit Program 815 Steps 5 and 6

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**Compliance****815 - Federal Employees Group Life Insurance Act of 1980 Compliance  
Summary and Audit Program**

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Note: This form should be completed only if provisions of the Federal Employee's Group Life Insurance Act of 1980 are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>1. Based on the preliminary assessment of compliance control effectiveness (as documented on Form 815 - Compliance Summary), select a sample of expense amounts for individuals' gross pay from the payroll disbursement records for the audit period.</p> <p>(The sample size will vary based on the expected effectiveness of compliance controls - 32 for effective controls or 59 for ineffective controls as discussed in FAM 460.02). See note 7 regarding sampling efficiencies and completeness of the sample population.</p> <p>Sample size _____</p> <p>Sample selection method _____</p>		
<p>2. For each selection made in step 1, document the employee, the pay period selected, and the amount withheld for the pay period selected, if any, for the cost of life insurance.</p>		

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**Compliance****815 - Federal Employees Group Life Insurance Act of 1980 Compliance  
Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
3. For each item selected in step 1, obtain the employee's personnel file.  a. If no amounts were withheld from the employee's pay for life insurance, review the personnel file and determine whether the employee declined coverage in writing. (5 USC 8702(b))  b. If amounts are withheld from the employee's pay for life insurance, perform step 4. (See note 1.)		
4. For each item selected in 1 for which amounts are withheld for life insurance, perform the following steps:  (a) Calculate and document the amount of basic insurance in the workpapers for the selected pay period. Compare the amount of basic insurance to the amount shown on the employee's OPM form SF 2817 and investigate any differences.		

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**Compliance****815 - Federal Employees Group Life Insurance Act of 1980 Compliance  
Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>4. (a) (continued)</p> <p>The cost of the insurance is based on the employee's basic insurance amount which is calculated as the greater of</p> <p>(1) the annual rate of basic pay payable to the employee, rounded to the next higher multiple of \$1,000 plus \$2,000, or</p> <p>(2) \$10,000</p> <p>(See note 5 for the limit on the maximum amount of basic insurance and the effect of changes in employee's annual rate of basic pay.)</p>		
<p>4. (b) Calculate the amount of the employee's cost of life insurance and document in the workpapers. Compare to the actual amount withheld for the selected pay period and investigate any differences. (See note 6.)</p> <p>The amount withheld from the pay of each employee should be at the rate of <del>66%</del> percent of the cost as determined by OPM for each \$1,000 of the employee's basic insurance amount, rounded to the nearest half-cent. (5 USC 8707(c)). See OPM publication SF 2817-A "A Description and Certification of Enrollment in the FEGLI Program" for cost of each \$1,000 of insurance for the audit period.</p>		

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**Compliance****815 - Federal Employees Group Life Insurance Act of 1980 Compliance  
Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
4. (c) For each employee in (b), divide the amount of the cost of insurance calculated in (b) in half. Compare to the amount contributed by the agency for its share of the cost of the employee's life insurance for the selected pay period and investigate any differences. (See note 6.) (5 USC 8708)		
4. (d) For each employee in (c), determine whether amounts contributed by the entity are charged to the appropriation or fund that is used to pay the employee for the selected pay period by performing the following procedures:  (1) Review the accounting codes indicated on the supporting documentation.  (2) Determine whether the accounting codes used to record the entity contribution are the same as those used for the related payroll expenditure and whether the codes and amounts agree to those recorded in the budgetary accounting records.		

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**Compliance****815 - Federal Employees Group Life Insurance Act of 1980 Compliance  
Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>4. (d) (3) Consider the procedures performed on the entity's budget controls over summarization of expenditure balances as discussed in FAM 395 F.</p> <p>If the auditor has assessed the entity's controls as <u>effective</u> in achieving the control objective of summarization of expenditure balances, further procedures are not necessary to obtain assurance as to whether the entity's contributions are paid out of the proper appropriation account.</p> <p>If the auditor has assessed the controls as <u>ineffective</u>, the auditor should perform procedures to determine whether the entity has properly summarized the expenditure balances as described in FAM 495 B. (5 USC 8708)</p>		
<p>4. (e) The auditor may elect, but is not required, to determine whether the proper amounts are being withheld from employee pay and remitted to Treasury for optional insurance, additional optional life insurance, and life insurance on family members because the employee pays the entire cost of this insurance. See OPM form SF 2817-A for information on the cost of this insurance. (5 USC 8714a, 8714b, 8714c)</p>		

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**Compliance****815 - Federal Employees Group Life Insurance Act of 1980 Compliance  
Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
5. Determine whether the entity has effective controls over the proper summarization of the amounts withheld from employees for health insurance costs under this law and the entity contributions for remittance to Treasury. If the entity does not have effective controls for summarization, test the summarization of the totals that include the items selected for testing in step 1.		
6. Compare the total cost of life insurance on the entity's records (employee and employer portions) for the selected pay period to the deposit made to Treasury and the remittance sent to OPM and investigate any differences. The funds should be deposited in the Treasury to the credit of the Employees' Life Insurance Fund. (5 USC 8714)		

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**Compliance****815 - Federal Employees Group Life Insurance Act of 1980 Compliance  
Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>7. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI, to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none"><li>· identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;</li><li>· report the nature of any weakness in compliance controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);</li><li>· consider the implications of any instances of noncompliance on the financial statements; and</li><li>· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.)</li></ul>		
<p>8. Document conclusions on compliance with each provision on Form 815 - Compliance Summary.</p>		



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**Compliance****815 - Federal Employees Group Life Insurance Act of 1980 Compliance  
Summary and Audit Program**

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Note 1: Most employees are automatically insured as of their employment date. (5 USC 8702 (a)).

Note 2: Basic insurance is calculated as an amount equal to the greater of (1) the annual rate of basic pay payable to the employee, rounded to the next higher multiple of \$1,000 plus \$2,000 or (2) \$10,000. (5 USC 8701(c)).

Note 3: The additional insurance benefit obtained by multiplying the basic insurance by the appropriate factor does not affect the cost of the insurance; therefore, it is not necessary to test compliance with this portion of the provision.

Note 4: The following provisions will most likely not be significant to the entity's financial statements because the costs for the insurance described is paid entirely by the employee. The only effect on the entity's financial statements would be an equal asset and liability for amounts that have been withheld from employee pay but have not yet been deposited with Treasury. Testing for compliance with the following provisions is not required:

Optional insurance, additional optional life insurance, and life insurance on family members shall be offered to all eligible employees. The total cost of this insurance is withheld from employees who elect coverage. The cost of the coverage is provided by OPM on form SF 2817-A. (5 USC 8714a, 8714b, 8714c).

Note 5: The amount of insurance may not exceed the annual rate of basic pay payable for positions at Level II of the Executive Schedule under 5 USC 5313, rounded to the next higher multiple of \$1,000, plus \$2,000. For 1995, this amount is \$136,000. (5 USC 8701(c)).

Generally, a change in the rate of pay is deemed effective as of the first day of the pay period after the pay period in which the payroll change is approved. (5 USC 8704(d)).

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**Compliance****815 - Federal Employees Group Life Insurance Act of 1980 Compliance  
Summary and Audit Program**

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Note 6: If the agency fails to withhold the proper amount due to an agency error, the agency may waive collection from the employee, but must deposit an amount equal to the sum of the uncollected deductions and related agency contributions in the Employees' Life Insurance Fund. (5 USC 8707(d))

Note 7: If multipurpose testing is used for the compliance test and/or compliance control test and a substantive detail test of payroll expense, the sample items for the compliance test and/or compliance control test should be selected using the sampling method used for the substantive test. Otherwise, the items should be selected using attribute sampling, as discussed in FAM 460.02.

As with all sampling applications, the auditor should consider the completeness of the test population. For efficiency, the auditor should consider using records that were tested for validity and completeness (as well as the other financial statement assertions) in conjunction with substantive tests of payroll or other payroll related compliance tests.

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## Compliance

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### 816 - FEDERAL EMPLOYEES' COMPENSATION ACT COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Federal Employees' Compensation Act are considered to be significant as indicated on Form 802 - General Compliance Checklist.

Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
1. If the agency receives a statement showing the costs of amounts paid from the Employees' Compensation Fund (the Fund), the agency shall include a request for an appropriation to cover such amounts during the next fiscal year when submitting its budget request. (See note 1.)  Type: Procedural-based Ref: 5 USC 8147	1. The entity's budget request includes a request for an appropriation for any amounts paid by the Fund on the entity's behalf for the prior fiscal year.	[Document the control techniques used by the entity to achieve the objective]		[Indicate yes or no, include reference to supporting workpapers]	[Indicate yes or no, include reference to supporting workpapers]  See Compliance Audit Program 816 Step 1

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**Compliance****816- Federal Employees' Compensation Act Compliance Summary and Audit Program**

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Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control techniques	EDP (Y/N)	Effective compliance controls?	In compliance?
2. Amounts appropriated pursuant to the request (described in 1 above) shall be credited to the Fund within 30 days after they are available. (See note 2 for entities that are not dependent on annual appropriations.)  Type: Procedural-based Ref: 5 USC 8147	2. Appropriations received for the costs of amounts paid out of the Fund on behalf of the entity are credited to the Fund within 30 days after they are available.				See Compliance Audit Program 816 Step 1

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**Compliance****816 - Federal Employees Compensation Act Compliance Summary and Audit Program**

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Note: This form should be completed only if provisions of the Federal Employees' Compensation Act are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary for this law.

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
Note: The provisions identified for testing are procedural-based provisions. As discussed in FAM 460.06, sufficient procedures usually are performed in conjunction with tests of compliance controls for these procedural-based provisions to conclude on the entity's compliance without performing additional procedures. Additional procedures should <u>not</u> be performed to obtain evidence regarding compliance with the provisions related to the following objectives unless sufficient evidence regarding compliance was not obtained during compliance control tests documented on Form 816 - Compliance Summary.		
1. Reference to conclusions on compliance controls on Form 816 - Compliance Summary and indicate whether any additional procedures are necessary.		

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**Compliance****816 - Federal Employees Compensation Act Compliance Summary and Audit Program**

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Performed by	W/P ref
<p>2. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none"><li>· identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;</li><li>· report the nature of any weakness in compliance controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);</li><li>· consider the implications of any instances of noncompliance on the financial statements; and</li><li>· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.)</li></ul>		
<p>3. Document conclusions on compliance with each provision on Form 816 - Compliance Summary.</p>		

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**Compliance****816 - Federal Employees Compensation Act Compliance Summary and Audit Program**

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Note 1: A statement showing the total cost of benefits and other payments made from the Employees' Compensation Fund during the preceding July 1 through June 30 expense period on account of the injury or death of employees or individuals under the jurisdiction of the entity is required to be provided by the Secretary of Labor to the entity by August 15 of each year. (5 USC 8147)

Note 2: Entities not dependent on an annual appropriation shall make the required deposit to Treasury from funds under its control during the first 15 days of October after receipt of the statement showing the costs paid on the entity's behalf. (5 USC 8147)

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# SECTION 900

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## Substantive Testing

(This section is reserved.)

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# SECTION 1000

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Reporting

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## Reporting

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### 1001 - MANAGEMENT REPRESENTATIONS

- .01 This section deals with the management representations that the auditor is required to obtain as part of the audit, as described in sections 280 and 550. It covers the three general areas of representations: representations about the financial statements, about internal controls, and about compliance with laws and regulations. In the AICPA standards, these representations are discussed in sections AU 333, AT 400.42 (from Statement on Standards for Attestation Engagements (SSAE) Number 2), and AU 801. Written representations from management ordinarily confirm oral representations given to the auditor, indicate and document the continuing appropriateness of those representations, and reduce the possibility of misunderstanding. The specific representations obtained will depend on the circumstances of the engagement and the nature and basis of presentation of the financial statements. These representations apply to all the financial statements covered by the audit report. In addition to the representations given in the AICPA standards, the auditor generally should consider the need to obtain representations on other matters based on the circumstances of the audited entity. Also, the representations given in the illustrative representation letter in section 1001 A should be deleted if inapplicable or customized to the situation of the entity being audited.
- .02 The management representation letter should be obtained from the highest level of the audited entity. The officials who sign the management representation letter should be those who, in the auditor's view, are responsible for and knowledgeable, directly, or through others, about the matters in the representation letter. These officials should generally be the head of the entity and the Chief Financial Officer, or equivalent. Additional management representation letters should be obtained from any component units for which separate reports are to be issued.
- .03 The management representation letter should be on the audited entity's letterhead. The representations should be as of the date of the auditor's report -- the end of fieldwork. To ensure the letter is ready in time, a draft letter generally should be provided to and discussed with management early in the audit and updated for circumstances found throughout the audit. Where management signs the letter after the end of field work, the letter should state that the representations are as of the date of the report. If management signs the letter before the end of field work, the auditor generally should obtain a separate letter to update the representations to the end of field work. However, where the time difference is short, the

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**Reporting**  
**1001 - Management Representations**

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auditor may update the representations orally and document the update in the workpapers.

- .04 Although the management representation letter generally should be addressed to the Comptroller General, the audit team should consider having the entity deliver it directly to a member of the team to avoid any delays in receiving the letter.
- .05 Especially for large audited entities, management may need to specify a materiality threshold in the management representation letter, below which items would not be considered exceptions. The auditor should be satisfied that such a materiality threshold is so far below design materiality that even many items below this level would not in the aggregate approach design materiality. For example, a threshold that is 5 percent (or less) of design materiality may be sufficiently low.

**REPRESENTATIONS RELATING TO THE FINANCIAL STATEMENTS**

- .06 Paragraph AU 333.04 lists 20 management representations which are ordinarily included in a GAAS audit if applicable. These generally relate to management acknowledging its responsibility for the financial statements, having provided the auditors with all financial data, and making assertions about specific financial items such as ownership of its assets. The auditor may review section AU 333 for ideas about items which should be added to the representations, many of which would have to be modified in the federal government environment.
- .07 The auditor generally should consider the need for additional customizing of the illustrative representation letter given in section 1001 A. An example of a representation which may be deleted as inapplicable would be the representation about inventory if the audited entity does not have inventory. Also, many of the representations may have to be qualified, especially in an initial audit or in later audits where significant problems remain. For instance, where the illustrative representation letter states that there are no violations of laws or regulations..., the entity may need to add at the end of the statement, "except as follows:" and describe the violations.
- .08 In addition, the auditor generally should consider whether circumstances may require that additional descriptive items be included in the representation letter, especially as support for conclusions the auditor makes in the audit. This is important where the corroborating information

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**Reporting**  
**1001 - Management Representations**

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that can be obtained by procedures other than inquiry is limited. For example, the letter should include descriptions of (1) the reasons for audited-entity-imposed scope limitations, such as lack of availability of certain records; (2) the basis for material liability estimates, key asset valuations, or the probability of contingencies; and (3) significant plans or intentions for the entity. Also, for example, if the entity has a pension plan outside of the Civil Service Retirement System or the Federal Employees' Retirement System, an item should state that the entity does not plan to terminate the plan and that management believes the actuarial assumptions and methods used to measure pension liabilities and costs for financial reporting purposes are appropriate in the circumstances.

**REPRESENTATIONS RELATING TO INTERNAL CONTROLS**

- .09 Internal control representations when the auditor reports on management's assertions about the effectiveness of its internal control are found in AT 400.42. These representations relate to management's (1) acknowledging its responsibility for internal controls, (2) stating that management has assessed the effectiveness of its internal controls and specifying the control criteria used, (3) stating management's assertion about the effectiveness of its internal controls based on the control criteria, (4) stating that management has disclosed to the auditor all significant deficiencies in the design or operation of internal control which could adversely affect the entity's ability to meet the internal control objectives and pointing out those that are material weaknesses (using the definition in the representation letter, which is the definition in AU 325), (5) describing any irregularities, and (6) stating whether there were any changes to internal controls subsequent to the end of the reporting period. Where the auditor is not reporting on management's assertion about internal controls, he or she should delete representations 2 and 3 above. Depending on circumstances, the auditor should consider modifying representation 4 above to remove the phrase "pointing out those that are material weaknesses." The auditor also should modify the introductory paragraph to the representation letter.

- .10 For items (2) and (3), the auditor expects entities to use criteria established under FMFIA and OMB Circular A-123 in their FMFIA internal control assessment. Standards in GAO's green pamphlet Standards for Internal Controls in the Federal Government (appendix II to Title 2 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies) were established as standards for federal entities to follow. If an entity uses some other criteria (issued under due process procedures, such as Internal Control - Integrated Framework by the Committee of Sponsoring

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**Reporting**  
**1001 - Management Representations**

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Organizations (COSO) of the Treadway Commission and the Addendum to "Reporting to External Parties", (Journal of Accountancy, July 1994, p. 18) in its internal control assessment, those criteria should be named. Entities should summarize in the representation letter any material weaknesses relating to safeguarding, compliance, and financial reporting controls. Illustrative wording for the representations is given in section 1001 A for the case where management asserts that its internal controls as of the date of the financial statements provided reasonable assurance that losses, noncompliance, or misstatements material in relation to the financial statements would be prevented or detected on a timely basis. If there are material weaknesses, management should include a brief description of them in its representation letter and modify its assertion accordingly.

- .11 For entities that have not formally assessed the effectiveness of their internal controls, AT 400 provides that the auditor may assist management in its assessment by gathering or preparing information which management can use in evaluating the effectiveness of its internal controls. The auditor may also use the information in forming an opinion on management's assessment of internal controls. Thus, the illustrative representations are appropriate to be included in the management representation letter if management and the auditor agree on the conclusions regarding the effectiveness of internal control.

**REPRESENTATIONS RELATING TO COMPLIANCE WITH LAWS AND REGULATIONS**

- .12 AU 801.07 suggests a representation relating to compliance with laws and regulations stating that management has identified and disclosed to the auditor all laws and regulations that have a direct and material effect on the financial statements.
- .13 In addition, AT 500 (SSAE 3) deals with compliance attestation. The auditor is not required to follow this standard because it does not apply to audits reporting on compliance as part of an audit of financial statements, or on audits reporting in accordance with Government Auditing Standards. However, in situations in which the auditor believes additional representations regarding compliance may be needed, examples are given in AT 500.70.

**EFFECT OF CHANGE IN MANAGEMENT ON REPRESENTATION LETTER**

- .14 AU Section 9333.06 indicates that the auditor should obtain written representations from current management on all periods covered in the auditor's report. If management is unwilling or unable to provide these written representations, the auditor generally should disclaim an opinion on the financial statements.
- .15 Sometimes management is reluctant to sign representations for periods when it did not manage the entity. The auditor should explain to management that by issuing the financial statements, it is making the assertions implicit in the financial statements. Management may wish to understand the transactions and controls supporting the financial statements, and the auditor should help it do so. Where a change in management is expected, the auditor may advise the new management to obtain representations from the old management about the period prior to the date of change in management.

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## Reporting

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### **1001 A - ILLUSTRATIVE MANAGEMENT REPRESENTATION LETTER**

[Entity Letterhead]

[Date of auditor's report and completion of field work]

The Honorable [name of Comptroller General]  
Comptroller General of the United States  
U.S. General Accounting Office  
441 G Street, N.W.  
Washington, DC 20548

Dear [name of Comptroller General]:

This letter is in connection with your audits of the [entity's] balance sheet as of September 30, 19X1 and 19X2, [or dates of audited financial statements] and the related statements of net costs, changes in net position, budgetary resources, financing, and custodial activity [if applicable]<sup>1</sup> for the years then ended for the purposes of (1) expressing an opinion as to whether the financial statements are reliable (presented fairly, in all material respects, in conformity with a comprehensive basis of accounting other than generally accepted accounting principles described in note X to the financial statements [or with generally accepted accounting principles]), (2) expressing an opinion on management's assertions about the effectiveness of the [entity's] internal control as of September 30, 19X2 [or date of latest audited financial statements], and (3) testing for compliance with applicable laws and regulations. We confirm, to the best of our knowledge and belief, the following representations made to you during your audits (these representations are as of [date of completion of field work], pertain to both years' financial statements, and update the representations we provided in the prior year):

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<sup>1</sup> This list assumes the entity has adopted recent Statements of Federal Financial Accounting Standards and OMB Bulletin 97-01. If the entity has not adopted this guidance, modify the list of statements.

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**Reporting**  
**1001 A - Illustrative Management Representation Letter**

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1. We are responsible for the fair presentation of the financial statements in conformity with a comprehensive basis of accounting other than generally accepted accounting principles [or with generally accepted accounting principles].
2. We have made available to you, all
  - a. financial records and related data and
  - b. minutes of meetings of the Board of Directors [or other similar bodies, such as congressional oversight committees] or summaries of actions of recent meetings for which minutes have not been prepared.
3. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or disclosed in the notes to the financial statements.
4. The [entity] has satisfactory title to all owned assets; such assets have no liens or encumbrances, nor have any assets been pledged.
5. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
6. Provision, where material, has been made to reduce notes and accounts receivable to their estimated net realizable value.
7. Provision, where material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.
8. Related party transactions and related accounts receivable or payable, including assessments, loans, and guarantees have been properly recorded and disclosed.
9. All intra-governmental transactions and activities have been appropriately recorded and disclosed.
10. There are no
  - a. possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency,



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**Reporting**  
**1001 A - Illustrative Management Representation Letter**

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- b. material liabilities or gain or loss contingencies that are required to be accrued or disclosed, or
  - c. unasserted claims or assessments that are probable of assertion and that must be disclosed.
- 11. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 12. No material events or transactions have occurred subsequent to September 30, 19X2 [or date of latest audited financial statements] that have not been properly recorded in the financial statements or disclosed in the notes.
- 13. There have been no material irregularities (intentional misstatements or omissions of amounts or disclosures in financial statements, including fraudulent financial reporting that renders financial statements misleading, and misappropriation of assets) or any irregularities involving management or employees who have significant roles in internal control. [If there were any irregularities, they should be described.]
- 14. We are responsible for establishing and maintaining internal control.
- 15. We have assessed the effectiveness of [entity's] internal control in achieving the following objectives:
  - safeguard assets against loss from unauthorized acquisition, use or disposition;
  - assure the execution of transactions in accordance with laws governing the use of budget authority and with other laws that have a direct and material effect on the financial statements or that are listed in OMB audit guidance and that could have a material effect on the financial statements; and
  - properly record, process, and summarize transactions to permit the preparation of reliable financial statements and to maintain accountability for assets.

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**Reporting****1001 A - Illustrative Management Representation Letter**

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Our assessment was based upon control criteria established under the Federal Managers' Financial Integrity Act of 1982 and the Office of Management and Budget Circular A-123 [or other control criteria issued under due process procedures].

16. Those controls in place on September 30, 19X2 [or date of latest audited financial statements] provided reasonable assurance that losses, noncompliance, or misstatements material in relation to the financial statements would be prevented or detected on a timely basis.

[If there are material weaknesses as defined below, the following paragraphs should be used instead:

The entity's internal control has the following material weaknesses (conditions in which the internal controls do not provide reasonable assurance that (1) unauthorized acquisition, use, or disposition of assets that could lead to losses, (2) noncompliance, or (3) misstatements material in relation to the financial statements would be prevented or detected on a timely basis) [describe material weaknesses and their effect on the achievement of the objectives of the control criteria].

As a result of the material weaknesses, [entity's] internal control over [for example, safeguarding assets and compliance with laws and regulations]<sup>2</sup> as of September 30, 19X2 [or date of latest audited financial statements] did not provide reasonable assurance that [state appropriate effects, such as losses, noncompliance or misstatements] material in relation to the financial statements would be prevented or detected on a timely basis. However, [entity's] internal control over [for example, financial reporting] as of September 30, 19X2 [or date of latest audited financial statements] provided reasonable assurance that [state appropriate effects, such as losses, noncompliance, or misstatements] material in relation to the financial statements would be prevented or detected on a timely basis.]

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<sup>2</sup> Refer to section 595 B for possible alternatives.

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**Reporting**  
**1001 A - Illustrative Management Representation Letter**

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17. We have disclosed to you all significant deficiencies in the design or operation of internal control which could adversely affect the entity's ability to meet the internal control objectives and identified those we believe to be material weaknesses.
18. There have been no changes to internal control subsequent to September 30, 19X2 [or date of latest audited financial statements], or other factors that might significantly affect it. [If there were changes, describe them, including any corrective actions taken with regard to any significant deficiencies or material weaknesses.]
19. We are responsible for [entity's] compliance with applicable laws and regulations.
20. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
21. We have disclosed to you all known instances of noncompliance with laws and regulations.

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[Name of Head of Entity]  
[Title]

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[Name of Chief Financial Officer]  
[Title]

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## **Reporting**

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**1002 - RESERVED**

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## Reporting

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### 1003 - AUDIT COMPLETION CHECKLIST

Entity: \_\_\_\_\_

Job Code: \_\_\_\_\_

Principal Report: \_\_\_\_\_

Other Reports (including Management Letters): \_\_\_\_\_

#### INSTRUCTIONS

- .01 This checklist is designed to help GAO's financial statement auditors comply with generally accepted government auditing standards and with GAO policies. This checklist should be completed for every financial statement audit before the report is submitted to the Director of Planning and Reporting. The checklist should be prepared by the manager in charge, and reviewed by the assistant director and director. They should sign on the last page, and a copy of that page should be forwarded for report processing. Where the audit is conducted at multiple sites, the site supervisor may complete parts of the checklist for each site (with the manager completing an overall checklist). While parts of the checklist are useful in audit planning, no specific signatures on this checklist are required in the planning phase.
- .02 There is also a separate "Checklist for Reports Prepared under the CFO Act" (Section 1004). That checklist covers accounting, financial reporting, and disclosure issues. When the auditor reports on financial statements prepared using generally accepted accounting principles, he or she also should prepare the appropriate AICPA disclosure checklist.
- .03 The detail questions are to be answered "N/A" (not applicable), "Yes," or "No." Check "N/A" when the item does not exist or when the item exists but is judged not material. It is not necessary to create additional documentation to support the "Yes" answers, but a column is provided to give a workpaper reference ("W/P"). All "No" answers should be discussed at the end of this checklist. Because the checklist is designed for the wide range of GAO's financial statement audits, there will be many "not applicable" answers.
- .04 The questions are summarized. For most questions, there is a reference to professional literature that provides more detail.

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**Reporting**  
**1003 - Audit Completion Checklist**

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**CONTENTS****Section**

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V.	Functional Areas . . . . .	27
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VII.	Conclusions . . . . .	32

**References:**

Reference to section number in FASB Accounting Standards Current Text . . . .	AC
Reference to section number of AICPA Professional Standards (vol. 1) . . . . .	AU
GAO's Financial Audit Manual . . . . .	FAM
Government Auditing Standards, 1994 edition . . . . .	GAGAS
GAO's Communications Manual . . . . .	CM
GAO's General Policies/Procedures Manual . . . . .	GPPM
Statement of Federal Financial Accounting Standards . . . . .	SFFAS
Office of Management and Budget . . . . .	OMB

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**Reporting**  
**1003 - Audit Completion Checklist**

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Section I: Report Contents	N/A	Yes	No	W/P
1. Does the auditor's report include:				
a. Introduction	—	—	—	—
b. Significant matters (if applicable)	—	—	—	—
c. Conclusions on:				
i. Principal statements	—	—	—	—
ii. Management's assertions about internal controls	—	—	—	—
iii. Compliance with laws and regulations	—	—	—	—
iv. Consistency of other information with principal statements	—	—	—	—
d. Objectives, scope, and methodology, including description of all instances where GAGAS was not followed	—	—	—	—
e. Agency comments (if applicable)? (FAM 580.04, 580.70) (CM 12.11-4 to 6)	—	—	—	—

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**Reporting**  
**1003 - Audit Completion Checklist**

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Section I: Report Contents	N/A	Yes	No	W/P
2. Is the auditor's report appropriate as to:				
a. Wording,	—	—	—	—
b. Scope of work,	—	—	—	—
c. Acceptability of accounting principles,	—	—	—	—
d. Explanatory paragraphs,	—	—	—	—
e. Opinion on principal statements,	—	—	—	—
f. Opinion on management's assertions about internal controls,	—	—	—	—
g. Reporting on compliance with laws and regulations? (FAM 580)	—	—	—	—
3. Is the auditor's report dated in conformity with professional standards? (AU 530) (FAM 1601)	—	—	—	—
4. Does the auditor's report cover all periods for which financial statements are presented? (AU 508.65)	—	—	—	—
5. If the financial statements of a prior period have been audited by a predecessor auditor whose report is not presented, does the auditor's report refer to the predecessor auditor's report? (AU 508.74)	—	—	—	—
6. Does the auditor's report describe the responsibility GAO is taking for supplemental information? (AU 551; FAM 580.67)	—	—	—	—



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**Reporting**  
**1003 - Audit Completion Checklist**

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Section I: Report Contents	N/A	Yes	No	W/P
<p>7. a. When illegal acts involve funds received from other governmental entities, did the auditor satisfy him- or herself that the audited entity notified the proper official of those entities within a reasonable time?</p> <p>b. If the entity did not, or was unable to do so because the top official was involved, did the auditor report these acts to the officials of those other governmental entities? (GAGAS, par. 5.23)</p>	<p>—</p> <p>—</p>	<p>—</p> <p>—</p>	<p>—</p> <p>—</p>	<p>—</p> <p>—</p>
<p>8. Does the auditor's report include:</p> <p>a. Identification of which matters are reportable conditions and which of the reportable conditions are material weaknesses? (GAGAS, par. 5.27)</p> <p>b. Reference to a separate letter, if applicable, describing nonreportable conditions? (GAGAS, par. 5.28)</p> <p>c. Presentation of irregularities, illegal acts, and reportable noncompliance with laws and regulations? (GAGAS, par. 5.18)</p>	<p>—</p> <p>—</p> <p>—</p>	<p>—</p> <p>—</p> <p>—</p>	<p>—</p> <p>—</p> <p>—</p>	<p>—</p> <p>—</p> <p>—</p>
<p>9. When appropriate, did the auditor issue a separate report on fraud, abuse, or illegal acts, or indications of such acts? (GAGAS, par 5.21)</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>
<p>10. Did the report disclose the status of all known, but uncorrected significant or material findings and recommendations from prior audits that affect current audit objectives? (GAGAS par. 4.10)</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>

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**Reporting**  
**1003 - Audit Completion Checklist**

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Section II: Report Processing	N/A	Yes	No	W/P
1. Was the report approved by the following:				
a. Issue Area Director?	—	—	—	—
b. Office of the General Counsel?	—	—	—	—
c. Planning and Reporting Director?	—	—	—	—
d. Chief Accountant? (all financially related audits and all reports with opinions on financial information).	—	—	—	—
e. Division head?	—	—	—	—
f. ACG-P&R? (if report was signed by the Comptroller General)	—	—	—	—
g. Special Assistant to the Comptroller General? (if report was signed by the Comptroller General) (CM 12.13-7 to 10)	—	—	—	—

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**Reporting**  
**1003 - Audit Completion Checklist**

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Section II: Report Processing	N/A	Yes	No	W/P
2. Does the Master Product Folder contain the following:				
a. Key report drafts (FAM 1602)	—	—	—	—
b. Referenced draft, referencer's review sheets, and referenced changes	—	—	—	—
c. Control copy of the computer disk used to print the report	—	—	—	—
d. Summary results of the message agreement meeting	—	—	—	—
e. GAO Forms 124 -- Draft Report Clearance Statements from people deemed appropriate by the audit team (CM 12.13-8 and 9)	—	—	—	—
f. Draft approved for agency comments	—	—	—	—
g. Agency comments	—	—	—	—
h. Annotated draft showing changes made to deal with agency comments	—	—	—	—
i. Results of exit conference	—	—	—	—
j. GAO Form 185 --GAGAS Determinations/ Certification	—	—	—	—
k. Signature package, including Action Routing Slip (GAO Form 319) and distribution form (GAO Form 115)	—	—	—	—
l. Agency's statement explaining actions taken or planned in response to GAO recommendations? (CM 12.14-21)	—	—	—	—

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**Reporting**  
**1003 - Audit Completion Checklist**

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Section II: Report Processing	N/A	Yes	No	W/P
3. Did an appropriate referencer verify the accuracy and support for the report? (CM 12.13-2)	—	—	—	—
4. Do the files show that the issue area director reviewed and approved the disposition of the referencer's comments? (CM 12.13-6)	—	—	—	—
5. Were the following reviewed by the issue area director and assistant director: (FAM 1301.17)				
a. "Checklist for Reports Prepared Under the CFO Act"	—	—	—	—
b. Financial reporting and disclosure checklist (for statements using generally accepted accounting principles)	—	—	—	—
c. Management representation letter (including management's assertions about internal controls)	—	—	—	—
d. Legal representation letter	—	—	—	—
e. Summary of unadjusted misstatements	—	—	—	—
f. Exit conference memorandum	—	—	—	—
g. Audit summary memorandum	—	—	—	—
h. Financial statements	—	—	—	—
i. Referencing review sheet (GAO form 92)	—	—	—	—
j. Statement of GAGAS certifications/determination (GAO form 185)?	—	—	—	—
6. Did the assistant director or audit manager determine that all significant review notes were resolved appropriately? (FAM 1301.24)	—	—	—	—

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**Reporting**  
**1003 - Audit Completion Checklist**

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Section II: Report Processing	N/A	Yes	No	W/P
<p>7. Do the workpapers document a reasonable basis for:</p> <p>a. the opinion about whether the financial statements and disclosures comply in all material respects with applicable accounting standards? (FAM 560)</p> <p>b. the opinion on management's assertion about internal controls?</p> <p>c. the conclusions about compliance with laws and regulations?</p>	                              	                              	                              	                              
<p>8. Do the workpapers document a reasonable basis for reported findings, including: (FAM 590.05-06)</p> <p>a. Internal control weaknesses</p> <p>b. Instances of noncompliance with laws and regulations?</p>	                    	                    	                    	                    
<p>9. Did an assistant director initial all workpaper bundle covers to indicate that all workpapers were sufficiently reviewed? (FAM 1301.05)</p>	          	          	          	          
<p>10. Were review notes and superseded versions of workpapers, including review notes and superseded versions in electronic form, placed in a separate folder to be retained until the report is issued (unless issue area director decides to retain until the next audit)? (FAM 1301.24)</p>	          	          	          	          

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**Reporting**  
**1003 - Audit Completion Checklist**

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Section III: Planning and Concluding the Audit	N/A	Yes	No	W/P
1. Did the auditor hold entrance conferences at each location visited? (GPPM 14.1-3)	—	—	—	—
2. Does the entity profile document an understanding of the entity sufficient to plan the audit? (FAM 290.03)	—	—	—	—
3. Was the entity profile reviewed on a timely basis by the issue area director and assistant director? (FAM 1301.17)	—	—	—	—
4. Do the workpapers contain an adequate General Risk Analysis? (FAM 290.04)	—	—	—	—
5. Did the auditor adequately perform and document the following planning steps: (FAM 290.04)				
a. Perform preliminary analytical procedures (FAM 225)	—	—	—	—
b. Determine planning, design, and test materiality (FAM 230)	—	—	—	—
c. Identify significant laws and regulations (FAM 245)	—	—	—	—
d. Identify relevant budget restrictions (FAM 250)	—	—	—	—
e. Understand the budget formulation process (FAM 260.27)	—	—	—	—
(continued on next page)				

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**Reporting**  
**1003 - Audit Completion Checklist**

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Section III: Planning and Concluding the Audit	N/A	Yes	No	W/P
5. (continued)				
f. Assess inherent risk and the overall effectiveness of the control environment, including whether the control environment precludes the effectiveness of specific control techniques (FAM 260)	—	—	—	—
g. Consider the effects of EDP (FAM 220, 260.17, 260.20-21, and 270)	—	—	—	—
h. Assess the FMFIA process (FAM 260.22)	—	—	—	—
i. Consider operations controls to be tested (FAM 275)	—	—	—	—
j. Understand performance measures controls and assess the design of these controls and whether they have been placed in operation (FAM 275)	—	—	—	—
k. Plan other procedures (representation letters, related party transactions, sensitive payments) (FAM 280)	—	—	—	—
l. Consider locations to be visited (FAM 285)	—	—	—	—
m. Consider staffing requirements	—	—	—	—
n. Consider timing of procedures and milestones (FAM 295 D)	—	—	—	—
o. Consider assistance from entity personnel?	—	—	—	—
6. Was the General Risk Analysis reviewed on a timely basis by the issue area director and assistant director? (FAM 1301.17)	—	—	—	—

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**Reporting**  
**1003 - Audit Completion Checklist**

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Section III: Planning and Concluding the Audit	N/A	Yes	No	W/P
7. Were review responsibilities documented in the General Risk Analysis or other memorandum and communicated to all individuals on the assignment? (FAM 1301.19)	—	—	—	—
8. Does the General Risk Analysis reflect appropriate consideration of findings and recommendations from previous audits that could affect the current audit objectives? (GAGAS, par. 4.10)	—	—	—	—
9. Did the auditor conduct a summary planning meeting (design summit)?	—	—	—	—
10. Did the auditor identify budget controls for each relevant budget restriction and perform sufficient work to support the opinion on management's assertion about those controls? (FAM 250, 310.05, 330.09)	—	—	—	—
11. Did the auditor identify compliance controls and perform sufficient work to support the opinion on management's assertion about those controls? (FAM 245, 310.05, 330.10)	—	—	—	—
12. Did the auditor review leases to determine that capital, operating, sales, and direct financing leases were properly accounted for? (AC L10)	—	—	—	—
13. If the auditor used the work of others (CPA firms, IGs, internal auditors, or specialists), did he or she meet the requirements of FAM 650?	—	—	—	—



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**Reporting**  
**1003 - Audit Completion Checklist**

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Section III: Planning and Concluding the Audit	N/A	Yes	No	W/P
14. If the audited entity has an audit committee (or equivalent group), did the auditor satisfy him- or herself that certain matters relating to the conduct of the audit were communicated to the committee? (AU 380)	—	—	—	—
15. a. Was a message agreement meeting held?	—	—	—	—
b. Were the results of that meeting documented?	—	—	—	—
c. Did the following have an opportunity to contribute to the message agreement:				
1. Issue Area Director	—	—	—	—
2. Assistant Director	—	—	—	—
3. Auditor-in-Charge	—	—	—	—
4. Stakeholders? (GPPM 6.3-5 to 6)	—	—	—	—
16. Was an exit conference held at (and documented):				
a. Each field location where audit work was performed?	—	—	—	—
b. The agency's headquarters?	—	—	—	—
c. Was the conference attended by:				
1. Issue Area Director	—	—	—	—
2. Assistant Director	—	—	—	—
3. Auditor-in-Charge	—	—	—	—
4. Other key people? (CM 12.11-1 to 12.11-3)	—	—	—	—

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**Reporting**  
**1003 - Audit Completion Checklist**

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Section III: Planning and Concluding the Audit	N/A	Yes	No	W/P
17. Did the auditor perform overall analytical procedures, including documentation of the following:				
a. Data/sources	—	—	—	—
b. Parameters	—	—	—	—
c. Explanations/corroboation	—	—	—	—
d. Conclusions? (FAM 590.04)	—	—	—	—
18. Do the workpapers indicate that the auditor properly performed the following procedures in the reporting phase of the audit: (FAM 590.01)				
a. Evaluate misstatements (FAM 540)	—	—	—	—
b. Bring all misstatements to the attention of entity management (FAM 540.07)	—	—	—	—
c. Obtain attorneys' representations (FAM 550.02)	—	—	—	—
d. Review subsequent events (FAM 550.04 and 1005)	—	—	—	—
e. Obtain management representations (including management's assertions about internal controls) (FAM 550.07 and 1001)	—	—	—	—
f. Identify and test related party transactions (FAM 550.11 and 1006)	—	—	—	—
g. Review other information accompanying the principal statements? (FAM 580.67)	—	—	—	—

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**Reporting**  
**1003 - Audit Completion Checklist**

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Section III: Planning and Concluding the Audit	N/A	Yes	No	W/P
19. Does the audit summary memorandum demonstrate the adequacy of audit procedures and the reasonableness of conclusions? (FAM 590.02-.03)	—	—	—	—
20. Does the audit summary memorandum properly summarize or refer to workpapers addressing the following: (FAM 590.02-.03)				
a. Changes from original risk assessments	—	—	—	—
b. The basis for conclusions on significant auditing, accounting, and reporting issues	—	—	—	—
c. Conclusions on adequacy of scope	—	—	—	—
d. Unadjusted misstatements	—	—	—	—
e. Conclusions on financial statements	—	—	—	—
f. Conclusions on management's assertions about internal control	—	—	—	—
g. Conclusions on compliance with laws and regulations?	—	—	—	—
21. Do the workpapers document the following:				
a. Deviations from the "should" procedures in the FAM and the basis therefor are approved by the assistant director with copies to the issue area director and the Director of Planning and Reporting, and	—	—	—	—
b. Deviations from the "must" procedures in the FAM were approved by the Director of Planning and Reporting? (FAM 100.23)	—	—	—	—

## Reporting

### 1003 - Audit Completion Checklist

Section IV: Key Audit Areas	N/A	Yes	No	W/P
<p>Answer these questions for each key audit area or cycle.</p> <p>1. Did the auditor prepare the following documentation summarizing considerations in planning and performing the work in the key area:</p> <p>a. Cycle matrix (or documentation in Account Risk Analysis) showing links between accounts, cycles, applications and line items (FAM 290.05)</p> <p>b. Account risk analysis (FAM 290.06)</p> <p>c. Cycle memorandum and flowchart (FAM 390.04-.05)</p> <p>d. Specific control evaluation (FAM 390.06)</p> <p>e. Written audit program? (AU 311.05)</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p>
<p>2. If conditions changed during the course of the audit, was the audit program modified as appropriate in the circumstances? (AU 311.05)</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>

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**Reporting**  
**1003 - Audit Completion Checklist**

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Section IV: Key Audit Areas	N/A	Yes	No	W/P
3. When the auditor performed sampling, did he or she properly determine and document				
a. The method used (in relation to test objectives),	—	—	—	—
b. Sample size (and the method of determining it),	—	—	—	—
c. Tests performed,	—	—	—	—
d. Results (misstatements and deviations found),	—	—	—	—
e. Evaluation, and	—	—	—	—
f. Conclusion? (FAM 490.06)	—	—	—	—
4. When the auditor performed substantive analytical procedures, did he or she properly document:				
a. Method used to develop expectations,	—	—	—	—
b. Data sources/reliability,	—	—	—	—
c. Limit/criteria,	—	—	—	—
d. Client explanations and corroborating evidence,	—	—	—	—
e. Additional steps needed,	—	—	—	—
f. Conclusions? (FAM 490.06)	—	—	—	—

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**Reporting**  
**1003 - Audit Completion Checklist**

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Section IV: Key Audit Areas	N/A	Yes	No	W/P
5. When the auditor performed interim testing, did he or she:				
a. test the rollforward period and	—	—	—	—
b. properly document:				
i. The basis for using interim testing,	—	—	—	—
ii. The procedures performed, and	—	—	—	—
iii. The effects of any misstatements found? (FAM 495C.06)	—	—	—	—
6. Did the auditor evaluate the reasonableness of significant accounting estimates made by management? (AU 342)	—	—	—	—
7. Were known and likely misstatements identified in the testing of the key area carried forward to the summary of possible adjustments? (FAM 540.04)	—	—	—	—
8. Were internal control weaknesses and instances of noncompliance with laws and regulations considered for inclusion in the auditor's report?	—	—	—	—
9. Were workpapers prepared by an EDP audit specialist subject to a primary review by an EDP audit specialist for technical content and a secondary review by a member of the audit team to determine that related audit objectives were achieved? (FAM 1301.20)	—	—	—	—

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**Reporting**  
**1003 - Audit Completion Checklist**

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Section IV: Key Audit Areas	N/A	Yes	No	W/P
10. Did an EDP audit specialist review the specific control evaluation forms to evaluate the audit team's decision on which controls are EDP-related (FAM 350.06)?	—	—	—	—
11. Were timely primary and secondary reviews of workpapers performed (FAM 1301)?	—	—	—	—
12. For areas that are both material and have high combined risk, did the issue area director or assistant director perform secondary reviews of the workpapers? (FAM 1301.12)	—	—	—	—
13. Were all workpapers prepared by the issue area director or assistant directors read by managers or auditors in charge to determine their consistency with any related workpapers? (FAM 1301.15)	—	—	—	—

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**Reporting**  
**1003 - Audit Completion Checklist**

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Section IV: Key Audit Areas	N/A	Yes	No	W/P
14. Were the following reviewed by the issue area director and assistant director:				
a. Account risk analysis (issue area director review not required in immaterial or low combined risk areas)	—	—	—	—
b. Initial audit programs (issue area director review not required)	—	—	—	—
c. Lead schedules (issue area director review not required)	—	—	—	—
d. Completed audit programs (issue area director review not required)	—	—	—	—
e. Memoranda on key accounting and auditing issues	—	—	—	—
f. Summary memoranda on high combined risk or material areas? (FAM 1301.17)	—	—	—	—
15. Does the testing of internal controls relevant to the key area appear sufficient to support the conclusions about those controls? (FAM 310.05, 350.15)	—	—	—	—



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**Reporting**  
**1003 - Audit Completion Checklist**

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Section IV: Key Audit Areas	N/A	Yes	No	W/P
<p>16. Based on the inherent and control risk, did the auditor perform adequate substantive tests of:</p> <p>(if not a key area, check the N/A box)</p> <p><u>Receivables</u></p> <p>Consider these issues:</p> <ul style="list-style-type: none"> <li>Where practical, were accounts receivable confirmed and appropriate follow-up steps taken, including second requests and alternate procedures? (AU 330.34-.35)</li> <li>If confirmation work was performed prior to year-end, was there an adequate review of transactions from the confirmation date to the balance sheet date? (AU 313.08-.09)</li> <li>If a significant number and amount of accounts receivable were not confirmed, were other appropriate auditing procedures performed? (AU 330.32)</li> <li>Did the auditor test whether impaired loans are carried at the present value of the loan's expected future cash flows discounted at the loan's effective interest rate or at the observable market price or the fair value of the collateral if the loan is collateral dependent? (AC I08.111)</li> </ul>	—	—	—	—

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**Reporting**  
**1003 - Audit Completion Checklist**

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Section IV: Key Audit Areas	N/A	Yes	No	W/P
<u>Inventories</u>  Consider these issues: <ul style="list-style-type: none"> <li>• Were physical inventories observed at all locations where material amounts were located?</li> <li>• If perpetual inventory records are maintained, do the workpapers indicate that differences disclosed by the physical inventory (or cycle counts) are properly reflected in the financial statements?</li> <li>• Where the physical inventory is taken at a date other than the balance sheet date (or where rotating procedures are used), did the auditor consider inventory transactions between the inventory date(s) and the balance sheet date? (AU 313.08-09)</li> <li>• Do the workpapers contain evidence that counts were correctly made and recorded (was control over inventory tags or count sheets maintained) and test count quantities were reconciled with the counts reflected in the final inventory? (AU 331.09)</li> <li>• Were there adequate tests of:               <ul style="list-style-type: none"> <li>a. Clerical accuracy of the inventory?</li> <li>b. Costing methods and substantiation of costs used in pricing all elements of the inventory?</li> <li>c. Cut-off?</li> </ul> </li> <li>• Were analytical procedures used to test the overall valuation of inventories?</li> </ul>	—	—	—	—

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**Reporting**  
**1003 - Audit Completion Checklist**

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Section IV: Key Audit Areas	N/A	Yes	No	W/P
<u>Investments</u>  Consider these issues: <ul style="list-style-type: none"> <li>Was a summary schedule prepared (or obtained) and details tested with respect to the description, purchase price and date, changes during the period, income, market value, etc. of investments?</li> <li>Were securities either examined or confirmed? (AU 332.04)</li> <li>Did the auditor consider the appropriateness of the carrying values and classifications of securities? (AC I80)</li> </ul>	—	—	—	—

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**Reporting**  
**1003 - Audit Completion Checklist**

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Section IV: Key Audit Areas	N/A	Yes	No	W/P
<u>Property, Plant and Equipment</u>  Consider these issues: <ul style="list-style-type: none"> <li>• Was a summary schedule prepared (or obtained) to show beginning balances, changes during the period and ending balances for:               <ul style="list-style-type: none"> <li>a. Property, plant, and equipment?</li> <li>b. Accumulated depreciation?</li> </ul> </li> <li>• Do the tests appear adequate and were proper conclusions drawn with respect to:               <ul style="list-style-type: none"> <li>a. Additions (e.g., by examining supporting documents and/or physical inspection)?</li> <li>b. Retirements (including miscellaneous income, scrap sales)?</li> <li>c. The adequacy of the current and accumulated provisions for depreciation?</li> </ul> </li> </ul>	_____	_____	_____	_____

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**Reporting**  
**1003 - Audit Completion Checklist**

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Section IV: Key Audit Areas	N/A	Yes	No	W/P
<u>Liabilities</u>  Consider these issues: <ul style="list-style-type: none"> <li>• Did the auditor perform an adequate search for unrecorded liabilities?</li> <li>• Did the auditor consider expenses that might require accrual (e.g., pensions, compensated absences, other postretirement benefits, or postemployment benefits provided to former or inactive employees prior to retirement), and whether accrued expenses were reasonably stated? (AC P16, C44, P32 and P40)</li> </ul>	—	—	—	—
<u>Revenue and Expenses</u>  Consider these issues: <ul style="list-style-type: none"> <li>• Did the auditor compare revenue and expenses for the period to expectations, based on the budget and the results of the preceding period?</li> <li>• Were significant variances and fluctuations from expectations explained? (AU 329)</li> <li>• Did the auditor consider:               <ul style="list-style-type: none"> <li>a. The entity's revenue recognition policy? (AC A10.105)</li> <li>b. Unusual transactions?</li> </ul> </li> </ul>	—	—	—	—

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**Reporting**  
**1003 - Audit Completion Checklist**

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Section V: Functional Areas	N/A	Yes	No	W/P
<u>Independence and Conflicts of Interest</u>				
1. Did all members of the audit team sign the independence checklist? (FAM 601)	—	—	—	—
<u>Consultation</u>				
2. Where warranted by the complexity or unusual nature of an issue, was there appropriate consultation with specialists, including:				
• The Director of Planning and Reporting and designees? (FAM Appendix A)	—	—	—	—
• The Office of General Counsel?	—	—	—	—
• The Chief Accountant? (FAM 1201.13)	—	—	—	—
3. Were significant consultations appropriately documented (FAM 100.22)?	—	—	—	—
4. Were the persons consulted made aware of all relevant facts and circumstances?	—	—	—	—
5. If the workpapers indicated a difference of opinion between engagement personnel or between engagement personnel and a specialist or other person consulted, was the difference resolved appropriately, and was the basis of the resolution documented? (FAM 1302)	—	—	—	—

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**Reporting**  
**1003 - Audit Completion Checklist**

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**Section VI: Explanation of "NO" Answers and Other Comments**

The following pages are provided for comments on all "no" answers or to expand upon any of the "yes" answers.

<b>Page No.</b>	<b>Question No.</b>	<b><u>Explanatory Comments</u></b>	<b><u>Disposition of Comments</u></b>
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**Reporting**  
**1003 - Audit Completion Checklist**

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**Section VI: Explanation of "NO" Answers and Other Comments**

<b>Page No.</b>	<b>Question No.</b>	<b><u>Explanatory Comments</u></b>	<b><u>Disposition of Comments</u></b>
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**Reporting**  
**1003 - Audit Completion Checklist**

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**Section VI: Explanation of "NO" Answers and Other Comments**

<b>Page No.</b>	<b>Question No.</b>	<b><u>Explanatory Comments</u></b>	<b><u>Disposition of Comments</u></b>
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**Reporting**  
**1003 - Audit Completion Checklist**

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**Section VII: Conclusions**

Based on your review and knowledge, do you believe that:	YES	NO*
1. GAO performed the engagement in all material respects in accordance with generally accepted government auditing standards (which include generally accepted auditing standards) or the auditor's report was appropriately modified?	—	—
2. The financial statements conformed with appropriate accounting principles in all material respects (or the auditor's report was appropriately modified)?	—	—
3. The auditor's report was appropriate in the circumstances?	—	—
4. The documentation on this engagement supports:  GAO's opinion on the financial statements GAO's opinion on management's assertions about internal controls GAO's conclusions on compliance with laws and regulations?	— — —	— — —
5. GAO complied in all material respects with its policies and procedures?	—	—

\* If no, please describe in a memorandum to the Director of Planning and Reporting.

Date of completion of field work: \_\_\_\_\_

Manager in Charge: \_\_\_\_\_ Date: \_\_\_\_\_

Assistant Director: \_\_\_\_\_ Date: \_\_\_\_\_

Issue Area Director: \_\_\_\_\_ Date: \_\_\_\_\_

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## Reporting

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### **1004 - FINANCIAL REPORTING: CHECKLIST FOR REPORTS PREPARED UNDER THE CFO ACT**

This section was issued separately as  
GAO/AIMD-12.19.5B (Section 1004)

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## PREFACE

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The Chief Financial Officers (CFO) Act of 1990 and Government Management Reform (GMR) Act of 1994 require, in addition to other mandates, that agencies' chief financial officers submit annual reports to their agency heads and to the Office of Management and Budget (OMB). These reports should contain (1) descriptions and analyses of the status of financial management and (2) audited financial statements. OMB Bulletin 94-01, "Form and Content of Agency Financial Statements," also requires that agencies submit such reports, and contains detailed requirements for these reports.

To assist agencies in preparing these reports and auditors in auditing the annual financial statements, we have developed this checklist. As with any guide, the questions are not prescriptive. They are meant to remind agencies and auditors to adequately cover material items and present information appropriately.

This guide is divided into three major sections: Overview of the Reporting Entity, Principal Financial Statements, and Consolidating/Combining Financial Statements and Supplemental Information. Each section contains questions related to reporting on financial and program information. The questions are referenced to a source for additional information.

The section on the overview of the reporting entity covers general information about the entity and its performance measures. Under the Government Performance and Results Act of 1993 (GPRA), agencies are to develop strategic plans by fiscal year 1998, prepare annual plans setting performance measures by fiscal year 1999, and report annually on their performance starting in March 2000. While the GPRA requirements are not yet in effect, initial work has been done in this area and some agencies have reported performance measures. The questions in this section are in italics; the items mentioned in the questions are provided as suggestions and are not yet required. The questions cover basic concepts and definitions of performance measures to help agencies focus on and initiate reporting on them. Agencies are encouraged to experiment and use creativity in reporting on performance measures.

The section on principal financial statements and related notes includes questions organized by each of the two required financial statements: (1) Statement of Financial Position and (2) Statement of Operations and

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## Preface

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Changes in Net Position. It also contains a section for related footnotes. The questions cover requirements in the accounting standards developed by the Federal Accounting Standards Advisory Board (FASAB) and OMB Bulletin 94-01. Also included are questions related to the optional statements of "Cash Flows" and "Budgetary Resources and Actual Expenses." It is important to note that major changes in annual financial statement reporting displays will go into effect after September 30, 1996.

The questions included in this guide are not all inclusive. They outline information to be included in the annual reports of agencies. The annual financial report and performance information required by the CFO Act and GPRA will evolve. As additional FASAB standards are issued, we will update this document. To facilitate distribution of the updates, we will make this checklist available in a computer-compatible format.

This guide is an initial effort to assist agencies.<sup>3</sup> We gratefully acknowledge the help and support of the Chief Financial Officer and Inspector General communities. If you have comments and suggestions, call Bruce Michelson at (202) 512-9366 or Barry Grinnell at (202) 512-9530, or write to either at the U.S. General Accounting Office; 441 G St. NW, Room 6123; Washington, DC 20548.

Gene L. Dodaro  
Assistant Comptroller General  
Accounting and Information Management Division

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<sup>3</sup>For auditors, this guide will become section 1004 of GAO's Financial Audit Manual.

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## ABBREVIATIONS

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ADP	automated data processing
CFO Act	Chief Financial Officers Act of 1990, Public Law 101-576, November 15, 1990.
DPIGuide	<u>A Guide to Designing Performance Indicators</u> , National Academy of Public Administration, September 16, 1993.
FASAB	Federal Accounting Standards Advisory Board
Feb92-Memo	OMB Memorandum for Chief Financial Officers, "Financial Statements and Performance Measures," February 5, 1992.
FHA	Federal Housing Administration
FIFO	first-in, first-out
GAAFR-88	<u>Government Accounting, Auditing and Financial Reporting</u> , GFOA, 1988.
GAO/AFMD-91-19	GAO Staff Study, <u>Financial Reporting--Framework for Analyzing Federal Agency Financial Statements</u> , March 1991.
GASB	<u>Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards</u> , June 30, 1993.
GFOA	Government Finance Officers Association.
GFOA-COPC	Special Review Committee of GFOA, Certificate of Achievement Program, Checklist, 1993.
GMR Act	Government Management Reform Act of 1994, Public Law 103-356, October 13, 1994.

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**Abbreviations**

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GPRA	Government Performance and Results Act of 1993, Public Law 102-62, February 22, 1993.
GPRA-Aud	Audit Program for GPRA Implementation Assessment - December 2, 1994 Operating Draft.
Nov94-Memo	OMB Memorandum to Chief Financial Officers, "Audited Financial Statements," November 18, 1994.
OMB	Office of Management and Budget
OMB Bull. 93-06	OMB Bulletin 93-06, "Audit Requirements for Financial Statements," August 8, 1993.
OMB Bull. 94-01	OMB Bulletin 94-01, "Form and Content of Agency Financial Statements," November 16, 1993.
PM-FmHA Model	<u>Performance Measurement</u> , (Draft), FmHA Model Performance Measurement Task Force, March 1994.
PM-Guide	<u>Performance Measurement Guide</u> , Financial Management Service, Treasury, November 1993.
SFFAC	Statement of Federal Financial Accounting Concepts.
SFFAC 1	Statement no. 1, "Objectives of Federal Financial Reporting," (Effective September 2, 1993).
SFFAC 2	Statement no. 2, "Entity and Display," (Recommended by FASAB and sent April 21, 1995 to heads of OMB, GAO, and Treasury for approval).
SFFAS	Statements of Federal Financial Accounting Standards (published).
SFFAS 1	Statement no. 1, "Accounting for Selected Assets and Liabilities," (Effective March 1993).



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**Abbreviations**

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SFFAS 2	Statement no. 2, "Accounting for Direct Loans and Loan Guarantees," (Effective August 23, 1993).
SFFAS 3	Statement no. 3 "Accounting for Inventory and Related Property," (Effective October 27, 1993).
TVA	Tennessee Valley Authority

## AUTHORITATIVE GUIDANCE

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Each question in this guide is referenced to a source that provides support for the question. The sources are authoritative guidance; some are required by the mandates of the CFO Act while others are merely suggestions. The suggested questions are in italics.

The required sources in section III, Overview of the Reporting Entity, are cited from the CFO Act, OMB Bulletin 94-01, and OMB's "Feb92-Memo." The mandates contained in these sources need not be applied to immaterial items. GPRA's mandates go into effect in 1997 and, although early compliance is encouraged, questions related to this act are in italics because they are not yet required. Other sources in this section include publications by GAO the Department of the Treasury, Government Finance Officers Association (GFOA), Government Accounting Standards Board (GASB), and others. The information in these sources is considered state-of-the-art for overall report format, general information to be included in reports, and performance indicators. Although following these sources is not required, it is suggested for two primary reasons: (1) to enhance clarity within the reports and (2) to create consistency and uniformity among the CFO Act reports prepared by federal entities.

In section IV on the principal financial statements, the sources cited must be followed. FASAB is developing accounting principles for the federal government and they must be approved by the heads of Treasury, OMB, and GAO. However, until a comprehensive set of standards exists, a hierarchy of acceptable standards has been established, and federal agencies should follow these when preparing financial statements. The hierarchy follows.

1. Standards issued by FASAB and approved by the heads of Treasury, OMB, and GAO.
2. OMB Bulletin 94-01, "Form and Content of Agency Financial Statements," November 16, 1993.
3. Accounting standards contained in agency accounting policy, procedures manuals, and/or related guidance as of March 29, 1991, if they are commonly practiced.

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**Section I**  
**Authoritative Guidance**

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4. Accounting principles published by authoritative standard-setting bodies and other authoritative sources if the use of such standards improves the meaningfulness of the financial statements.

The sources of the questions in section IV include requirements contained in the approved Statements of Federal Financial Accounting Standards (SFFAS) and OMB Bulletin 94-01. It is important to note that the statements of Cash Flows and of Budgetary Resources and Actual Expenses will no longer be required beginning with the fiscal year 1997 financial statements. For fiscal years 1995 and 1996, agencies may request from OMB a waiver of the requirement to include the statement of Cash Flows and the statement of Budgetary Resources and Actual Expenses in their financial statements.

The sources for the questions in section V on consolidated /combining financial statements and supplemental information come from OMB Bulletin 94-01.

## HOW TO USE THIS GUIDE

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To the right of each question are two columns. The first column provides for a "yes," "no," or "NA" answer to each question. The second column provides for explanation to the answer given in the first column. A "yes" answer should indicate that the CFO Act report contains the information asked by the question. For each "yes" answer, the explanation column may include the page number of the report or other specific location where the information can be found.

A "no" answer indicates that the information asked in the question is not included in the report. The second column should provide an explanation. Examples of explanations for a "no" answer include: (1) the federal entity preparing the report is working to have the information available for the report in subsequent years, (2) management believes the information does not enhance the usefulness of the report, (3) the cost of compiling the information exceeds the benefit of providing it, and (4) the items are not material.

An "NA" answer would indicate that the question does not apply to the federal entity. For example, most federal agencies do not administer loan, loan guarantee, or loan insurance programs, and, therefore, do not have credit program receivables and related property. Consequently, questions 46-110 in section IV would not apply. A simple explanation indicating that the reporting entity does not administer loan programs would appear in the explanation column for question 46. Since the questions in section IV related to financial statements are organized by statement line item, groups of questions under specific line items will not apply for most federal entities.

## **OVERVIEW OF THE REPORTING ENTITY**

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The checklist questions in this section are organized into three major parts: general items of the financial statement, summary overview, and performance measures.

The general items part includes questions on the content and appearance of the report. It includes questions on report cover, the table of contents, the transmittal letter, organization of the reporting entity, the auditor's report, and management's report on the internal controls of the entity.

The summary overview part covers the information in the sections, other than performance measures, preceding the financial statements and the auditor's reports. It includes questions on identification of the reporting entity, mission and goals of the entity, the activities involved in achieving its mission and goals, the entity's customers, the size of the entity, internal controls, and goals and plans of the entity.

The performance measures part focuses on the information contained in the report intended to show how the entity is accomplishing its mission through delivery of products, services, or processes. Questions cover performance measures under both the program and financial aspects of operations. The questions in this area are not prescriptive; rather, they are intended to be reminders or ideas for consideration. Agencies must be creative in developing and presenting new or enhanced performance information.

**Section III**  
**Overview of the Reporting Entity**

<b>GENERAL ITEMS OF THE ANNUAL FINANCIAL REPORT</b>	<b>Yes/No/NA</b>	<b>Explanation</b>
<p><i>1. Does the financial report contain the following major sections: (OMB Bull. 94-01, app. B, p. 1)</i></p> <p><i>a. Overview of the reporting entity (including performance measures)?</i></p> <p><i>b. Principal financial statements and related footnotes?</i></p> <p><i>c. Combining statements?</i></p> <p><i>d. Supplemental financial and management information?</i></p>		
<p><i>2. Does the cover include</i></p> <p><i>a. a title such as: Annual Report, Annual Financial Report, CFO Report, or other similar name? (GAFFR-88, p.99)</i></p> <p><i>b. the name of the reporting entity? (GAFFR-88, p. 99)</i></p> <p><i>c. the fiscal year of the report? (GAFFR-88, p. 99)</i></p>		

**Section III**  
**Overview of the Reporting Entity**

<b>GENERAL ITEMS OF THE ANNUAL FINANCIAL REPORT</b>	<b>Yes/No/NA</b>	<b>Explanation</b>
3. <i>Does the report have a table of contents? (GAFFR-88, pp. 99 &amp; 223-227)</i>		
4. <i>Does the report include an organizational chart of the reporting entity? (GAFFR-88, pp. 99, 102, &amp; 238)</i>		
5. <i>Is a list of principal officials included? (GAFFR-88, pp. 99, 102, &amp; 240)</i>		
6. <i>Is a transmittal letter included in the introductory section? (GAFFR-88, pp. 99 &amp; 229)</i>		
7. <i>Is the transmittal letter included on the letterhead of department, agency, or bureau? (GAFFR-88, pp. 100 &amp; 229)</i>		
8. <i>Is the transmittal letter dated on or after the date of the auditor's report? (GAFFR-88, pp. 100 &amp; 229)</i>		

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**Section III**  
**Overview of the Reporting Entity**

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<b>GENERAL ITEMS OF THE ANNUAL FINANCIAL REPORT</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
<i>9. Are graphs and charts used for presenting financial and program information? (Feb92-Memo, annex A, pp. 3, 12, &amp; 13)</i>		
<i>10. Is a management statement included in the report explaining that responsibility for (1) the accuracy and propriety of the information contained in the principal financial statements and (2) the quality of internal controls rests with management? (GFOA-COPC, p. 6, items 121 &amp; 124)</i>		



**Section III**  
**Overview of the Reporting Entity**

GENERAL ITEMS OF THE ANNUAL FINANCIAL REPORT	Yes/No/NA	Explanation
<p><i>11. Does management's statement of responsibility include the following items related to internal controls and laws and regulations: (A-123 (Draft), pp. 8 &amp; 9)</i></p> <p><i>a. Management's assertion that controls provide reasonable assurance that assets are protected, transactions are properly executed and recorded, and policies are followed?</i></p> <p><i>b. Reference to compliance with or report on the Federal Managers' Financial Integrity Act of 1982?</i></p> <p><i>c. Reference to the 5-year Financial Management Plan?</i></p> <p><i>d. Reference to compliance with laws and regulations?</i></p>		

**Section III**  
**Overview of the Reporting Entity**

<b>GENERAL ITEMS OF THE ANNUAL FINANCIAL REPORT</b>	<b>Yes/No/NA</b>	<b>Explanation</b>
<p><i>12. Is an independent auditor's report included? (CFO Act, Sec. 301; OMB Bull. 93-06, p. 4; GASB, Sec. 2200.107; GAFFR-88, pp. 127 &amp; 243)</i></p>		
<p><i>13. Does the auditor's report contain: (OMB Bull. 93-06, pp. 7-10)</i></p> <p><i>a. An opinion on the fair presentation of the financial statements?</i></p> <p><i>b. A statement or opinion on management's assertions about internal controls?</i></p> <p><i>c. A statement or opinion on compliance with laws and regulations?</i></p>		
<p><i>14. Does the report recognize and appropriately address any issues raised in the auditor's report?</i></p>		

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**Section III**  
**Overview of the Reporting Entity**

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<b>GENERAL ITEMS OF THE ANNUAL FINANCIAL REPORT</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
<p><i>15. Are report format and reader appeal considered so that the following items are included: (GFOA-COPC, p. 4, items 40-49)</i></p> <p><i>a. The type size throughout the report is large enough to be easily readable?</i></p> <p><i>b. Graphs, charts, diagrams, and pictures are clear, simple, and large enough to be easily readable and understood?</i></p> <p><i>c. Numbers are legible and numbers and dollars appropriately rounded?</i></p> <p><i>d. Excessive detail in the narratives and visual aids is avoided?</i></p>		

**Section III**  
**Overview of the Reporting Entity**

SUMMARY OVERVIEW	Yes/No/ NA	Explanation
<p><i>16. Is a clear description of the reporting entity provided by including information on the following items: (Feb92-Memo, annex A, p. 2)</i></p> <p><i>a. The name of the reporting entity?</i></p> <p><i>b. Whether the reporting entity is an entire organization, a sub-organization, a program, an activity, or a group of activities?</i></p> <p><i>c. The functions and activities of the entity?</i></p> <p><i>d. The type of funds (revolving, industrial, trust, or other) included in the entity and covered by the report?</i></p>		
<p><i>17. Are the mission and major goals of the entity, including reference to legislative mandates, if appropriate, included in the overview? (Feb92-Memo, annex A, p. 2)</i></p>		

**Section III**  
**Overview of the Reporting Entity**

SUMMARY OVERVIEW	Yes/No/ NA	Explanation
<p><i>18. Is the manner in which the entity's program is organized to provide services--including information on the type of customer, customer locations, and geographical locations of the entity's offices (local, district, state, or region)--discussed? (Feb92-Memo, annex A, p. 3)</i></p>		
<p><i>19. Is the following summary information provided to help show the size of the reporting entity? (Feb92-Memo, annex A, p. 3)</i></p> <p><i>a. Dollars expended?</i></p> <p><i>b. Population served?</i></p> <p><i>c. Number of employees?</i></p>		

**Section III**  
**Overview of the Reporting Entity**

SUMMARY OVERVIEW	Yes/No/ NA	Explanation
<p><i>20. Are the sources of funds obtained shown by major categories (appropriations, revenues, etc.)? (Feb92-Memo, annex A, p. 3)</i></p> <p>When the words, "as appropriate," are used in the following questions, they refer to entities that have begun to implement requirements of the GPRA Act, which becomes effective in 1997.</p>		
<p><i>21. As appropriate, does the entity present program performance (including positive, negative, and unexpected) and a comparison to its mission? (Feb92-Memo, annex A, p. 3)</i></p>		
<p><i>22. As appropriate, does the entity develop information that links financial results to program performance? (Feb92-Memo, annex A, pp. 3 &amp; 4)</i></p>		

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**Section III**  
**Overview of the Reporting Entity**

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<b>SUMMARY OVERVIEW</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
<i>23. Is the summary financial information presented in the overview consistent with, and does it relate to: (1) the principal financial statements and (2) the "Budget of the United States"? (Feb92-Memo, annex A, p. 3; GFOA-COPC, p. 7, item 131)</i>		
<i>24. Are program and financial accomplishments of the entity in relation to its mission and objectives discussed? (OMB Bull. 94-01, app. B, p. 1; Feb92-Memo, annex A, p. 2)</i>		
<i>25. Are both ongoing and planned financial and program initiatives discussed? (GFOA-COPC, p. 7, item 123)</i>		

**Section III**  
**Overview of the Reporting Entity**

SUMMARY OVERVIEW	Yes/No/ NA	Explanation
<p><i>26. Does the overview contain a section on the limitations of financial statements that include statements that have been prepared as follows: (OMB Bull. 94-01, app. B, pp. 2 &amp; 3)</i></p> <p><i>a. The financial statements have been prepared to report financial position and results of operations pursuant to the CFO Act of 1990?</i></p> <p><i>b. While the financial statements have been prepared from the books and records of the entity, they are different from the financial reports used to monitor and control budget execution?</i></p> <p><i>c. The financial statements should be read with the realization that the entity they portray is a component of a larger entity, the federal government?</i></p>		



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**Section III**  
**Overview of the Reporting Entity**

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<b>SUMMARY OVERVIEW</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
d. Liabilities not covered by budgetary resources cannot be liquidated without an enactment by the Congress of an appropriation to pay for them? (In other words: Some liabilities exist for which no budget authority has been granted. They cannot be paid until the Congress grants or awards an appropriation to cover the payment.)		

**Section III**  
**Overview of the Reporting Entity**

<b>PERFORMANCE MEASURES</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
Questions 27-54 focus more on <u>program</u> performance measures while questions 55-60 focus more on <u>financial</u> performance measures.		
In general, performance measures are assessments (both quantitative and qualitative) intended to help show how the entity is accomplishing its mission through the delivery of products, services, or processes. Performance measures are derived from articulating the entity's mission; developing and refining objectives, targets, goals, and benchmarks; and measuring actual performance against the objectives, targets, goals, and benchmarks. (PM-Guide, pp. 3, 4, & 5; PM-FmHA Model, pp. 4 & 34)		
Questions #27-31 will be required in the annual financial report or strategic plan beginning September 30, 1997. These questions are posed here as a guide to encourage early implementation for what will be required at that date.		

**Section III**  
**Overview of the Reporting Entity**

PERFORMANCE MEASURES	Yes/No/ NA	Explanation
<p><i>27. Has the reporting entity included in its mission statement the following: (GPRA, sec. 3; PM-Guide, p. 5; PM-FmHA Model, p. 6)</i></p> <p><i>a. Who the entity is?</i></p> <p><i>b. What the entity does?</i></p> <p><i>c. For whom does the entity do it?</i></p> <p><i>d. Why it is done?</i></p>		
<p>Customers are those who receive and use the products, services, or actions of a program or are acted upon by the output of the program. Stakeholders are organizations, groups, or outside managers with vested interests in the efficiency of the operations or the success of the organization in delivering effective outputs and maintaining the viability of the program. (PM-Guide, p. 43; PM-FmHA Model, p. 33)</p>		

**Section III**  
**Overview of the Reporting Entity**

<b>PERFORMANCE MEASURES</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
<i>28. Does the mission statement describe the program(s) and the purposes of the program in terms of the expectations, interests, and views of the customer and stakeholder? (PM-Guide, pp. 5 &amp; 6; PM-FmHA Model, p. 6)</i>		
Goals are the specific planned achievements for furthering an aim. They should be quantified where possible and are necessary to achieving the entity's mission.		
Goals are made up of targets. Targets are specified values, quantified steps, or points toward achieving an objective.		
Goals are quantified plans or specific values for an indicator. Goals are usually set annually in reaching longer-term targets. (PM-Guide, p. 43; PM-FmHA Model, pp. 22, 33, & 34)		

**Section III**  
**Overview of the Reporting Entity**

<b>PERFORMANCE MEASURES</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
Benchmarks are comparative standards for measuring accomplishments internally set or agreed upon and, where possible, based on best practices from industry and government. Benchmarks can be goals or values within goals for program output, product/service quality, and process improvement.		
<i>29. As appropriate at this stage, have goals been identified and stated in the report? (GPRA, sec. 3; PM-Guide, p. 7)</i>		
<i>30. Are the goals clearly linked to the mission statement? (PM-Guide, p. 7)</i>		
<i>31. Are goals clearly linked to customer requirements and stakeholder interests? (PM-Guide, pp. 6 &amp; 7)</i>		
<i>32. Does each goal focus on a single issue? (PM-Guide, p. 7)</i>		
<i>33. Are the goals stated in ways they can be measured? (PM-Guide, p. 7)</i>		

**Section III**  
**Overview of the Reporting Entity**

<b>PERFORMANCE MEASURES</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
<i>34. Are goals sufficient--if they all are accomplished, the mission would be met? (PM-Guide, p. 7)</i>		
<i>35. As appropriate at this stage, are targets included in the report? (PM-FmHA Model, p. 22)</i>		
Inputs or input measures are resources (staff, appropriations, materials, etc.) used or invested in conducting operations and programs.		
Outputs or output measures indicate the amount of work accomplished; they are the units of products or services produced.		
Outcomes are the measures that indicate the extent to which program or customer objectives have been met; they are the resulting effect of the use or application of an output. (GPRA, sec. 7; PM-Guide, p. 43; PM-FmHA Guide, p. 33)		

**Section III**  
**Overview of the Reporting Entity**

PERFORMANCE MEASURES	Yes/No/ NA	Explanation
<p>Performance indicators are particular values or characteristics used to measure the degree to which goals are achieved and signal whether, and to what extent, an objective, a target, a goal, or a benchmark is being achieved. Indicators can simply be</p> <ul style="list-style-type: none"> <li>a. comparison,</li> <li>b. ratio,</li> <li>c. percentage,</li> <li>d. number (including dollar amount),</li> <li>e. two or more numbers,</li> <li>f. mathematical formula or the result of calculating the formula, or</li> <li>g. qualitative characteristic such as "effective" based on a predefined point or benchmark which established it.</li> </ul> <p>(GPRA, sec. 7; PM-Guide, p. 43; PM-FmHA Guide, pp. 1 &amp; 34)</p>		

**Section III**  
**Overview of the Reporting Entity**

<b>PERFORMANCE MEASURES</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
<p><i>36. As appropriate at this stage, are performance indicators-- which are all linked to customer and stakeholder interests--(GPRA Aud, p. B-10)</i></p> <p><i>a. Linked to goals,</i></p> <p><i>b. Outcome-oriented to the the extent possible,</i></p> <p><i>c. Significant,</i></p> <p><i>d. Balanced, and</i></p> <p><i>e. Responsibility-linked?</i></p>		
<p><i>37. As appropriate at this stage, do performance indicators include benchmarks, where useful, as a step in achieving goals or targets? (PM-Guide, p. 37)</i></p>		
<p><i>38. As appropriate at this stage, do performance indicators show an actual achievement compared to a previously determined, planned, or desired achievement (a benchmark, goal, or target)? (PM-Guide, p. 49)</i></p>		



Section III  
Overview of the Reporting Entity

PERFORMANCE MEASURES	Yes/No/ NA	Explanation
<p>39. As appropriate at this stage, do performance indicators measure <u>product</u> quality in terms of some or many of the following: (PM-Guide, p. 47)</p> <p>a. Reliability: actual time compared to projected time?</p> <p>b. Accuracy: number of errors compared to number of transactions?</p> <p>c. On time: actual delivery time compared to promised or planned delivery time?</p> <p>d. Timely service: number of actions completed within time compared to the number of actions?</p> <p>e. Responsiveness: turnaround time?</p>		

**Section III**  
**Overview of the Reporting Entity**

PERFORMANCE MEASURES	Yes/No/ NA	Explanation
<p><i>40. As appropriate at this stage, do performance indicators measure <u>service</u> quality in terms of some or many of the following: (PM-Guide, p. 47)</i></p> <p><i>a. Projects completed on time compared to projects completed?</i></p> <p><i>b. Projects completed compared to projects planned?</i></p> <p><i>c. Projects completed within budgets compared to projects completed?</i></p> <p><i>d. Number of errors after innovation compared to the number of errors before innovation?</i></p> <p><i>e. Programs implemented compared to programs proposed and planned?</i></p>		

**Section III**  
**Overview of the Reporting Entity**

<b>PERFORMANCE MEASURES</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
<i>41. As appropriate at this stage, do performance indicators related to economy measure relationships between physical input (units) and cost of input (dollars)? (Examples include: unit cost of medical supplies and cost per machine processing hour.) (PM-Guide, pp. 26 &amp; 48)</i>		
<i>42. As appropriate at this stage, do performance indicators related to efficiency measure the relationship between physical outputs (units) and physical inputs (units)? (Examples include: pupils per teacher and applications processed per unit of time.) (PM-Guide, pp. 26 &amp; 48)</i>		
<i>43. As appropriate at this stage, do performance indicators measure the relationship between the value of output (numbers, percentages, dollars) and physical output (units), (such as percent of people satisfied with product)? (PM-Guide, pp. 26 &amp; 48)</i>		

**Section III**  
**Overview of the Reporting Entity**

<b>PERFORMANCE MEASURES</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
<i>44. As appropriate at this stage, do performance indicators show economy, efficiency, and effectiveness? (PM-Guide p. 32)</i>		
<i>45. As appropriate at this stage, do performance indicators contain per unit data (such as revenue and cost data)? (Feb92-Memo, annex A, p. 6)</i>		
<i>46. Does financial data (such as cost) and unit data tie into the financial statements and the "Budget of the United States" where appropriate? (Note: Such ties may not be possible for detailed program data, but may be achievable for higher-level summary data.) (Feb92-Memo, annex A, p. 3)</i>		

**Section III**  
**Overview of the Reporting Entity**

<b>PERFORMANCE MEASURES</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
<p><i>47. As appropriate at this stage, are performance indicators presented with appropriate visual aids such as: (PM-Guide, p. 30)</i></p> <p><i>a. Charts?</i></p> <p><i>b. Graphs?</i></p> <p><i>c. Diagrams?</i></p> <p><i>d. Tables or matrices?</i></p> <p><i>e. Pictures?</i></p>		
<p><i>48. Do the visual aids include where appropriate: (PM-Guide, p. 30)</i></p> <p><i>a. Comparisons of actual (results) to benchmarks, goals, or targets?</i></p> <p><i>b. Trends over years, months, or other periods?</i></p> <p><i>c. Ratios?</i></p>		

**Section III**  
**Overview of the Reporting Entity**

<b>PERFORMANCE MEASURES</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
<i>49. Are visual aids supplemented and enhanced with narrative explanations, analyses, and interpretations as appropriate? (PM-Guide, p. 39)</i>		
<i>50. As appropriate at this stage, do performance measures indicate (PM-FmHA Model, p. 3)</i>  <i>a. where progress is being made?</i>  <i>b. problems no longer needing federal attention?</i>  <i>c. program aspects or activities that are not leading to intended results?</i>  <i>d. where progress is slower than expected?</i>		
<i>51. As appropriate at this stage, does financial performance information include net operating costs to help show the real cost of the program or entity? (Feb92-Memo, annex A, p. 9; GAO/AFMD-91-19, p. 19)</i>		

**Section III**  
**Overview of the Reporting Entity**

<b>PERFORMANCE MEASURES</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
52. <i>As appropriate at this stage, does financial performance information include operating results to help show the extent to which net operating costs are financed by appropriations? (Feb92-Memo, annex A, p. 9; GAO/AFMD-91-19, p. 20)</i>		
53. <i>As appropriate at this stage, does financial performance information include capital investment to show whether the level of capital investment is consistent with the earlier plans? (Feb92-Memo, annex A, p. 10; GAO/AFMD-91-19, p. 22)</i>		
54. <i>As appropriate at this stage, does financial performance information include short-term and long-term liabilities to help show the financial soundness of program(s)? (Feb92-Memo, annex A, p. 10; GAO/AFMD-91-19, p. 23)</i>		

**Section III**  
**Overview of the Reporting Entity**

<b>PERFORMANCE MEASURES</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
55. <i>As appropriate at this stage, does financial performance information include efficiency indications such as (relating to assets) percent of overdue receivables or bad debt provision compared to total receivables? (Feb92-Memo, annex A, p. 10; GAO/AFMD-91-19, p. 26)</i>		
56. <i>As appropriate at this stage, does financial performance information include measures on the efficiency in administering the reporting entity such as (1) a percent change from year-to-year in administrative or salary costs to total costs or (2) changes from year-to-year in the ratio of administrative costs to net operating costs? (Feb92-Memo, annex A, p. 10; GAO/AFMD-91-19, p. 27)</i>		



**PRINCIPAL FINANCIAL STATEMENTS**

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The checklist questions in this section are organized into six major parts:

1. General Items Related to the Principal Financial Statements.
2. Statement of Financial Position.
3. Statement of Operations (and Changes in Net Position).
4. Statement Cash Flows (not required per Nov94-Memo).
5. Statement of Budgetary Resources and Actual Expenses (not required per Nov94-Memo).
6. Notes to the Financial Statements.

To facilitate the usefulness of this part of the checklist, questions are organized by line item in the financial statements. Since the financial statements are interrelated, some line items in one financial statement will include line items in other financial statements. For example, the questions covering loans receivable under the Statement of Financial Position will also include questions on the related interest income and subsidy expense appearing in the Statement of Operations. These related line items contained in other financial statements will be covered in questions under only one financial statement.

In addition, footnote disclosure requirements that are covered under a specific line item in one financial statement will not be reiterated in the notes part of this segment of the checklist. However, the sixth segment of this section, Notes to the Financial Statements, lists the questions containing footnote disclosure related to each of the 26 line items.

**Section IV**  
**Principal Financial Statements**

GENERAL ITEMS RELATED TO THE PRINCIPAL FINANCIAL STATEMENTS	Yes/No/ NA	Explanation
<p>1. Do the principal financial statements include the following four statements: CFO Act, sec. 3515; OMB Bull. 94-01, app. B, p. 3)</p> <p>a. Statement of Financial Position.</p> <p>b. Statement of Operations and Changes in Net Position).</p> <p>c. Statement of Cash Flows (optional beginning FY97).</p> <p>d. Statement of Budgetary Resources and Actual Expenses (optional beginning FY97).</p>		
<p>2. Are dollar amounts in the financial statements rounded to the nearest whole dollar, thousand, or million based on informative value? (OMB Bull. 94-01, app. C, p. 13, item 3)</p>		

**Section IV**  
**Principal Financial Statements**

<b>GENERAL ITEMS RELATED TO THE PRINCIPAL FINANCIAL STATEMENTS</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
3. Has the entity shown comparative data from the previous year? (OMB Bull. 94-01 app. C, exhibit 1, note 1T, p. 7)		
4. Are all essential financial facts relating to the scope and purpose of the entity for the reporting period included and clearly displayed? (OMB Bull. 94-01 app. C, exhibit 1, note 1B, pp. 1 & 2)		
5. Is the "other" category properly used? - Discrete balances of a material amount should be reported separately and designated by name. (OMB Bull. 94-01 attach., p. 5, par. 2)		
6. Is information combined into a single reporting line when balances are related in nature and are not material enough to warrant separate disclosure? (OMB Bull. 94-01 attach., p. 5, par. 2)		

**Section IV**  
**Principal Financial Statements**

**STATEMENT OF FINANCIAL POSITION**

The questions related to the Statement of Financial Position are organized under 26 line items as follows.

	Question Numbers
<b>General Items</b>	7-8
<b>Assets</b>	
1. Cash	9-14
2. Fund Balance	15-21
3. Accounts Receivable	22-26
4. Investments in Treasury Securities	27-33
5. Investment in Nonfederal Securities	34-36
6. Interest Receivable	37-41
7. Advances and Prepayments	42-45
8. Credit Program Receivables and Related Property	46-110
9. Inventory	111-129
10. Operating Materials and Supplies	130-134
11. Stockpile Materials	135-141
12. Seized Property	142-147
13. Forfeited Property	148-156
14. Foreclosed Property	157-163
15. Goods Held Under Price Support and Stabilization Programs	164-174
16. Property, Plant, and Equipment, Net	175-183
17. Other Assets	184-186
<b>Liabilities</b>	
18. Accounts Payable	187-190
19. Interest Payable	191-193
20. Other Current Liabilities	194-198
21. Liabilities for Loan Guarantees	See #8 Above, Credit Program Receivables and Related Property.
22. Lease Liabilities	See #16 Above, Property, Plant, and Equipment.
23. Debt	199-205
24. Pensions and Other Actuarial Liabilities	206-209
25. Other Liabilities	210-213
<b>Net Position</b>	
26. Net Position	214-215

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**Section IV**  
**Principal Financial Statements**

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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
7. Does the Statement of Financial Position display assets, liabilities, and net position? OMB Bull. 94-01, app. B, p. 3)		

**Section IV**  
**Principal Financial Statements**

STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<p>8. Are assets and liabilities separately reported to display:</p> <p>a. Intergovernmental (assets--claims of a federal entity against other federal entities; liabilities--claims against the entity by other federal entities) <b>vs</b> government assets and liabilities(which arise from transactions with nonfederal entities)? SFFAS 1, par. 18, 21, 24, &amp; 26)</p> <p>b. Entity assets (assets available to the entity for its use) <b>vs</b> nonentity assets (assets under the custody and management that the entity is not authorized to use)? (SFFAS 1, par. 26)</p> <p>c. Liabilities covered by budgetary resources (funded) <b>vs</b> liabilities not covered by budgetary resources? resources (unfunded)? (SFFAS 1, par. 161 &amp; app. C, p. 51; OMB Bull. 94-01, app. C, p. 5, items 4 &amp; 5)</p>		

**Section IV**  
**Principal Financial Statements**

STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<b>Cash</b>		
9. Is entity cash (amounts of cash authorized by law to spend), including imprest funds, recognized as an asset, unless balances are not material enough to warrant separate reporting? (SFFAS 1, par. 27; OMB Bull. 94-01, app. C, p. 3, item 1c, p. 4, item 2c, & p. 13, item 4)		
10. Are nonentity cash (cash held on behalf of other entities) and restricted cash separately reported and disclosed in a note to the financial statements? (SFFAS 1, pars. 29 & 30; OMB Bull. 94-01, p. 3, item 1a(1) & note 3E, p. 47)		
11. Are cash and other monetary assets (foreign currency, gold, special drawing rights, and reserves in the international monetary fund) disclosed separately? (OMB Bull. 94-01, app. C, p. 21, item 2c & p. 46, note 3A, B, & C, p. 47)		

**Section IV**  
**Principal Financial Statements**

STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
12. Are cash amounts contained in foreign currency converted into U.S. dollars at the exchange rate on the financial statement date? (SFFAS 1, par. 27(c))		
13. Does the entity describe the foreign currency balances and disclose the basis of valuation? (OMB Bull. 94-01, app. C, note 1, p. 45 & exhibit 1, note 1G, p. 4)		
14. Does the entity describe any gold or other monetary assets and disclose the basis of valuation? (OMB Bull. 94-01, app. C; note 1, p. 45; & exhibit 1, note 1H, p. 4)		
<b>Fund Balance</b>		
15. Is Fund Balance reported as an intragovernmental asset? (SFFAS 1, par. 31; OMB Bull. 94-01, app. C, p. 3, item 1a(1) & p. 4, item 2a(1))		



**Section IV**  
**Principal Financial Statements**

STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
16. Are restrictions related to future uses of Fund Balances disclosed? (SFFAS 1, par. 38; OMB Bull. 94-01, app. C, p. 14, item 1a(1) & note 2A, p. 46)		
17. Are discrepancies between Fund Balances in Treasury's records and general ledger accounts explained? (SFFAS 1, par. 39; OMB Bull. 94-01, app. C, p. 14, item 1a(1) & note 2B, p. 46)		
18. Are discrepancies between Fund Balances per Treasury reported in the financial statements and corresponding Fund Balances reported in the President's budget disclosed and explained? (OMB Bull. 94-01, app. C, note 2B, p. 46)		
19. Are Fund Balances representing amounts (1) obligated but not yet disbursed and (2) unobligated, disclosed separately? (SFFAS 1, par. 37; OMB Bull. 94-01, app. C, p. 14, item 1a(1) & note 2A, pp. 45 & 46)		

**Section IV**  
**Principal Financial Statements**

STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
20. Are Fund Balances disclosed by fund type? (OMB Bull. 94-01, app. C, p. 45, note 2A)		
21. Are Fund Balance amounts represented by foreign currency translated into US dollars at exchange rates determined by the Treasury at the financial reporting date? (SFFAS 1, par. 32; OMB Bull. 94-01, app. C, p. 14, item 1a(1))		
<b>Accounts Receivable</b>		
22. Is a receivable recognized when a federal entity establishes a claim based on legal provisions or the provision of goods or services? (SFFAS 1, par. 41)		
23. If the exact amount of a receivable is unknown, is a reasonable estimates made? (SFFAS 1, par. 41)		

**Section IV**  
**Principal Financial Statements**

STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<p>24. Are Accounts Receivable reported and distinguished separately between those:</p> <p>a. Due from federal and non-federal entities? (SFFAS 1, par. 42; OMB Bull. 94-01, app. C, p. 15, item 1a(3))</p> <p>b. That are entity Accounts Receivable (amounts authorized by law to be included in obligational authority) and nonentity Accounts Receivable (amounts to be collected on behalf of other entities)? (SFFAS 1, par. 43; OMB Bull. 94-01, app. C, p. 15, item 1a(3) &amp; p. 50, note 5)</p>		
<p>25. Is an allowance for estimated uncollectible Accounts Receivables recognized to reduce the reported gross amount to net realizable value? (SFFAS 1, par. 45; OMB Bull. 94-01, app. C, p.15, item 1 a(3) &amp; note 5, p. 50)</p>		

**Section IV**  
**Principal Financial Statements**

STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
26. Are the major categories of Accounts Receivable by amount and type, the methodology used to estimate the allowance for uncollectible amounts, and the total allowance disclosed? (SFFAS 1, par. 52; OMB Bull. 94-01, app. C, p. 50, note 5)		
<b>Investments In Treasury Securities</b>		
Investments in Treasury Securities includes only three kinds of Treasury issuances: (a) nonmarketable par value securities, (b) market-based securities expected to be held to maturity, and (c) marketable securities expected to be held to maturity.		
27. Are investments in Treasury Securities reported as an asset? (SFFAS 1, par. 62; OMB Bull. 94-01, app. C, p. 3, item 1a(2))		

**Section IV**  
**Principal Financial Statements**

STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
28. At acquisition, are Treasury securities recorded and reported at their acquisition costs, which equals face value plus or minus the premium or discount? (SFFAS 1, par. 68 & 69; OMB Bull. 94-01, app. C, p. 15, item 1a(2) & p. 48, note 4; OMB Bull. 94-01, exhibit 1, p. 5, item K)		
29. Subsequent to acquisition, are Treasury securities reported at their carrying amount adjusted for amortized premium or discount, which is adjusted into interest income? (SFFAS 1, par. 70 & 71; OMB Bull. 94-01, app. C, p. 15, item 1a(2) & p. 48, note 4; OMB Bull. 94-01, exhibit 1, p. 5, item K)		
30. Is the interest method used in amortizing the premium or discount? (SFFAS 1, par. 71; OMB Bull. 94-01, exhibit 1, p. 5, item K)		

**Section IV**  
**Principal Financial Statements**

STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
31. Is the market value of market-based and marketable securities disclosed? (SFFAS 1, par. 72; OMB Bull. 94-01, app. C, p. 48, note 4)		
32. Have securities which initially were expected to be held to maturity but are now available for sale been reclassified as securities available for sale? (SFFAS 1, par. 73)		
33. Is the method of valuing Investments in Treasury Securities described in footnote disclosure? (OMB Bull. 94-01, app. C, exhibit 1, note 1K, p. 5)		
<b>Investment In Nonfederal Securities</b>		
34. Are investments reported at cost net of amortized premiums or discounts and allowances for losses? (OMB Bull. 94-01, app. C, p. 16, item 1b(1))		

**Section IV**  
**Principal Financial Statements**

STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
35. Are securities carried at market value if (1) the intent to sell the securities prior to maturity exists and (2) a reduction in the value of the securities that is more than temporary has occurred? (OMB Bull. 94-01, app. C, p. 16, item 1b(1))		
36. Are the cost, market value, amortization method of premium and discount, amortized premium and discount, and the net investment amount disclosed in a note to the financial statements? (OMB Bull. 94-01, app. C, p. 48, note 4)		
<b>Interest Receivable</b>		
37. Is interest earned but not received recognized as interest receivable and reported as an asset? (SFFAS 1, par. 53; OMB Bull. 94-01, app. C, p. 3, items 1a(4) & 1b(4), p. 4, items 2a(3) & 2b(2), & p. 15 item 1a(4))		

**Section IV**  
**Principal Financial Statements**

STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
38. Does interest receivable exclude interest on accounts receivable and investments determined to be uncollectible? (SFFAS 1, par. 54; OMB Bull. 94-01, app. C, p. 17, item 1b(4))		
39. Is interest accrued on uncollectible accounts receivable disclosed? (SFFAS 1, par. 55; OMB Bull. 94-01, app. C, p. 17, item 1b(4))		
40. Is interest receivable which can be used by the entity reported separately from interest receivable which cannot be used by the entity? (OMB Bull. 94-01, app. C, p. 15, item 1a(4))		
41. Is interest receivable from federal entities reported separately from interest receivable from nonfederal entities? (SFFAS 1, par. 56; OMB Bull. 94-01, app. C, p. 15, item 1a(4))		



**Section IV**  
**Principal Financial Statements**

STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<b>Advances and Prepayments</b>		
42. Are advances and prepayments reported as assets? (SFFAS 1, par. 59; OMB Bull. 94-01, app. C, p. 3, item 1a(5))		
43. Are amounts of advances or prepayments (that are subject to refund) remaining after related goods or services are received, contract terms met, progress payments made, or expenses expire reported as receivables? (SFFAS 1, par. 59)		
44. Are advances and prepayments made to federal entities accounted for and reported separately from those made to nonfederal entities? (SFFAS 1, par. 61; OMB Bull. 94-01, app. C, p. 17, item 1b(5))		

**Section IV**  
**Principal Financial Statements**

STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
45. Are advances and prepayments paid out (assets) reported separately (not netted) from advances and prepayments received (liabilities) for reporting purposes? (SFFAS 1, par. 60)		
<b>Credit Program Receivables and Related Property</b>		
The Federal Credit Reform Act of 1990 divides loans and loan guarantees into two groups: pre-1992 and post-1991 direct loans and loan guarantees. Pre-1992 refers to direct loan obligations or loan guarantee commitments made prior to fiscal year 1992; post-1991 refers to direct loan obligations or loan guarantee commitments made after fiscal year 1991.		

**Section IV**  
**Principal Financial Statements**

STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<p>For post-1991 loans and guarantees, a subsidy expense is recognized in the year disbursed. For pre-1992 loans and guarantees, no subsidy expense need be recognized, and a loss and liability need not be recognized until it is more likely than not that a loan (either direct or guaranteed) will go into default. (SFFAS 2, par. 6-18 &amp; 39; OMB Bull. 94-01, app. C, note 7A, p. 57)</p>		
<p>46. In the Statement of Financial Position, does the amount under "Credit Program and Related Property" include all assets and liabilities related to direct and guaranteed loans? (OMB Bull. 94-01, app. C, note 7E, p. 58, last paragraph)</p>		
<p>47. Are the nature and the basis of Loans Receivable described in footnote disclosure? (OMB Bull. 94-01, app. C, exhibit 1, note 1I, p. 4)</p>		

**Section IV**  
**Principal Financial Statements**

STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
48. Are loan amounts broken out by group (pre-1992 and post-1991), cohort, or risk category, and disclosed in a note to the financial statements? (SFFAS 2, para. 21; OMB Bull. 94-01, app. C, note 7A, pp. 52 & 57)		
49. Do the footnotes provide relevant and appropriate information related to direct loans and loan guarantees, such as, for example, face value of guaranteed loans, amount of lending authority, and commitments? (OMB Bull. 94-01, app. C, note 7J, p. 60. par. 1)		
Post-1991 Direct Loans		
The present value of a group of direct loans is the sum of the estimated net cash inflows discounted at the Treasury rate for Treasury Securities of similar maturity at the time the loans were disbursed. (SFFAS 2, par. 24)		

**Section IV**  
**Principal Financial Statements**

STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
50. Are post-1991 direct loans reported at their present value of the estimated net cash flows? (SFFAS 2, par. 22; OMB Bull. 94-01 app. C, pp. 3 & 17 & note 7C, pp. 52, 53, & 57)		
51. For post-1991 direct loans, are the components of the present value (i.e., principal, interest, estimated net value of foreclosed property, and allowance for subsidy costs) disclosed? (OMB Bull. 94-01, app. C, note 7 C, pp. 54 & 57)		
52. Has the estimated future cash flows of foreclosed property been discounted at the original discount rate? (SFFAS 2, par. 57)		
53. If a third party or the borrower have a legitimate claim to a part of the value of the foreclosed assets, is the present value of the estimated claim represented as a special contra valuation allowance? (SFFAS 2, par. 58)		

**Section IV**  
**Principal Financial Statements**

STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<p>54. When the government acquires foreclosed assets in full or partial settlement of post-1991 loans, is the present value of the government's claim against the corresponding receivable reduced by the same amount? (SFFAS 2, par. 60)</p>		
<p>55. When the government acquires foreclosed assets in full or partial settlement of a loan, do the footnotes include information on: (OMB Bull. 94-01, app. C, p. 60, note 7J)</p> <ul style="list-style-type: none"> <li>a. accounting changes from prior years' methods?</li> <li>b. restrictions on the use of property?</li> <li>c. number and type of foreclosed property?</li> <li>d. number and type of property undergoing foreclosure proceedings?</li> </ul>		

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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
56. For post-1991 direct loans, have allowances for subsidy costs been amortized at the applicable interest rate of marketable Treasury securities with a similar maturity term of the loan? (SFFAS 2, par. 26 & 30)		
57. When post-1991 loans are written off, is the unpaid principal removed from unpaid loans receivable and charged against the allowance for subsidy costs? (SFFAS 2, par. 61)		
58. When post-1991 guaranteed loans go into default, are the present values and basis of estimated net cash flows related to the defaulted loans disclosed? (OMB Bull. 94-01, app. C, pp. 54 & 58)		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<p>59. Are the following components of the present values of the estimated net cash flows from defaulted loans disclosed: (OMB Bull. 94-01, app. C, note 7E, pp. 54 &amp; 58, &amp; 7I)</p> <p>a. Loan program gross amounts?</p> <p>b. Interest receivable?</p> <p>c. Estimated net value of foreclosed property?</p> <p>d. Allowance for subsidy costs?</p> <p>e. Basis for estimates?</p>		
<p>60. Has the estimated net cash flow related to foreclosed property been discounted at the original discount rate? (SFFAS 2, par. 57)</p>		



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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
61. If a third party or the borrower have a legitimate claim to a part of the value of the foreclosed assets, is the present value of the estimated claim represented as a special contra asset account--valuation allowance? (SFFAS 2, par. 58)		
62. When the government acquires foreclosed assets in full or partial settlement of a guaranteed loan, is the present value of the government's claim against the borrower reduced by the same amount? (SFFAS 2, par. 60)		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<p>63. When the government acquires foreclosed assets in full or partial settlement of a direct or guaranteed loan, do the footnotes include the following information: (OMB Bull. 94-01, app. C, note 7J, p. 60, par. 3)</p> <ul style="list-style-type: none"> <li>a. Accounting changes?</li> <li>b. Restrictions on the property?</li> <li>c. Number and type of the foreclosed properties?</li> <li>d. Number and type of properties undergoing foreclosure proceedings?</li> </ul>		
<p>64. Are estimated subsidy costs related to post-1991 loans recognized as an expense in the year the loans are disbursed? (SFFAS 2, par. 24; OMB Bull. 94-01, app. C, note 7G1, pp. 52, 55, &amp; 59)</p>		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
65. Have these subsidy costs been discounted at the applicable Treasury rate? (SFFAS 2, par. 24; OMB Bull. 94-01, app. C, note 7G1, pp. 52, 55, & 59)		
66. Are estimated subsidy costs (and offsetting receipts) broken out separately among: (SFFAS 2, par. 25; OMB Bull. 94-01, app. C, note 7G1 & G3, pp. 52, 55 & 59)  a. Interest subsidy cost?  b. The present value of estimated default costs net of recoveries)?  c. The present value of other costs and other collections?		
67. Have allowances for subsidy costs been reestimated for post-1991 loans outstanding for more than 1 year, taking into account changes in estimated cash flows as of the date of the financial statements? (SFFAS 2, par. 32; OMB Bull. 94-01, app. C, note 7G2, pp. 55, & 59)		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
68. Are default costs estimated and reestimated for each program on the basis of separate cohorts and risk categories? (SFFAS 2, par. 33; OMB Bull. 94-01, app. C, note 7G1, pp. 55, & 59)		
69. In estimating and reestimating current and projected future default costs for each group, cohort, and risk category, has the agency used a consistent and systematic methodology? (SFFAS 2, par. 34-36)		
70. Is the portion of the subsidy expense resulting from reestimates included in the financial statements but not budgeted for until a subsequent year disclosed in a note to the financial statements? (OMB Bull. 94-01, app. C, note 7J, p. 60, par. 2)		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<p>Modification means a federal government action, including new legislation or administrative action, that directly or indirectly alters the estimated subsidy costs and the present value of outstanding loans or the liability of loan guarantees. The term modification includes the sale of direct loans. (SFFAS 2, app. B, p. 41)</p>		
<p>The cost of modification is the excess of the pre-modification value of direct loans over their post modification value, both of which are discounted at the Treasury rate in effect at the time of the modification. (SFFAS 2, par. 46 &amp; app. B, p. 54)</p>		
<p>Book value is the net amount at which an asset or liability is carried on the books of account. It equals the gross or nominal amount minus any allowance or valuation amount. (SFFAS 2, app. C, p. 87)</p>		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
71. If post-1991 loans are modified, including sold, is the cost of modification reported as an expense? (SFFAS 2, par. 53; OMB Bull. 94-01, app. C, note 7G2 & 3, pp. 55 & 59)		
72. Is a description of modification and corresponding cost disclosed? (SFFAS 2, par. 56; OMB Bull. 94-01, app. C, note 7G2 & 3, pp. 55 & 59)		
73. If post-1991 loans are modified, is the book value of the loans changed to reflect the modified terms? (SFFAS 2, par. 46)		
74. For a post-1991 loan sale with recourse, has the present value of potential losses under the recourse and guarantee obligations been estimated and recognized as a subsidy expense and guarantee liability? (SFFAS 2, par. 54)		

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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
Gain--if the modification cost exceeds the change in book value, the excess is recognized as a gain. Since the credit program receives an appropriation to cover the cost of modification, the gain is transferred to the Treasury and reported as a reduction in financing source. (SFFAS 2, app. B, part 1D(5), p. 56)		
Loss--conversely, if the change in book value exceeds the modification cost, the excess is recognized as a loss. OMB Circular A-11 provides that the entity receive from the Treasury a "modification adjustment transfer" equal to the loss, and this is reported as a financing source. (SFFAS 2, app. B, part 1D(5), p. 56)		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
75. If post-1991 loans are modified or sold, is the "modification adjustment transfer," paid to or received from the Treasury to offset the recognized gain or loss resulting from the modification, treated as a reduction in financing sources (if a gain) or a financing source (if a loss)? (SFFAS 2, par. 48 & 55 & app. B, part 1D(5), p. 56)		
Pre-1992 Loans		
76. Are pre-1992 direct loans reported net of an allowance for uncollectible loans and interest? (OMB Bull. 94-01, app. C, note 7B, pp. 53 & 57)		



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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
77. For pre-1992 direct loans, are the following components disclosed: (OMB Bull. 94-01, app. C, note 7B, pp. 53, & 57)  a. Gross amount of loans?  b. Allowance for estimated uncollectible loans and interest?  c. Estimated net value of foreclosed property?  d. Basis for estimates?		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<p>78. When the government acquires foreclosed assets in full or partial settlement of a direct or guaranteed loan, are the following related items disclosed: (OMB Bull. 94-01, app. C, note 7J, p. 60, par. 3)</p> <p>a. Accounting changes?</p> <p>b. Restrictions on the property?</p> <p>c. Number and type of the foreclosed properties?</p> <p>d. Number and type of properties undergoing foreclosure proceedings?</p>		
<p>79. Are losses recognized when it is more likely than not that the direct loan will not be totally collected? (SFFAS 2, par. 39)</p>		
<p>80. Are allowances for uncollectible amounts reestimated each year as of the date of the financial statements? (SFFAS 2, par. 39)</p>		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
The "pre-modification value" is the present value of the net cash inflows of the direct loans estimated at the time of the modification under pre-modification terms and discounted at the Treasury current discount rate. (SFFAS 2, app. B, part IIB(1), p. 66)		
The "post-modification value" is the present value of the net cash inflows of the direct loans estimated at the time of the modification under post-modification terms and discounted at the current Treasury discount rate. (SFFAS 2, app. B, part IIB(2), p. 67)		
81. If pre-1992 direct loans are modified or sold, is the excess of the pre-modification value over the post-modification value recognized as a modification expense? (SFFAS 2 par. 45, & app. B, part IIB (1 & 2))		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
82. Before a pre-1992 loan is modified and expense recognized, has a subsidy appropriation equal to the cost of the modification been made available? (SFFAS 2, app. B, part IIB(3))		
83. If pre-1992 direct loans are modified, are the loans transferred to a financing account and their book value changed to an amount equal to their post-modification value? (SFFAS 2, par. 47 & app. B, part IIB(4))		
84. For a pre-1992 loan sale with recourse, has the present value of potential losses under the recourse and guarantee obligations been estimated as well as recognized as a subsidy expense and guarantee liability? (SFFAS 2, par. 46)		
85. Is a gain or loss recognized when pre-1992 direct loans are modified? (SFFAS 2, par. 48 & app. B, part IIB(4))		

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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
86. Are subsequent modifications of pre-1992 loans treated as a modification of post-1991 loans? (SFFAS 2, par. 47)		
87. When pre-1992 guaranteed loans go into default, are the net values of assets related to the defaulted loans disclosed in a note to the financial statements? (OMB Bull. 94-01, app. C, note 7D, pp. 54 & 57 & note 7I)		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<p>88. When the government acquires foreclosed assets in full or partial settlement of a loan, is the following information disclosed in a note to the financial statements: (OMB Bull. 94-01, app. C, note 7J, p. 60, par. 3)</p> <p>a. Accounting changes?</p> <p>b. Restrictions on the property?</p> <p>c. Number and type of the foreclosed properties?</p> <p>d. Number and type of properties undergoing foreclosure proceedings?</p>		
<p>Liabilities for Loan Guarantees Post-1991 Loan Guarantees</p>		
<p>89. Is the face value of guaranteed loans outstanding and amount guaranteed disclosed by program? (SFFAS 2, par. 23; OMB Bull. 94-01, app. C, note 7F pp. 55 &amp; 58)</p>		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
90. Are the present values of estimated net cash outflows resulting from the loan guarantee programs discounted at the interest rate of marketable Treasury securities with similar maturities? (SFFAS 2, par. 24; OMB Bull. 94-01, app. C, note 7F, pp. 55 & 58)		
91. If post-1991 loan guarantees are modified, is the book value of the loan guarantee liability changed to reflect the modified terms? (SFFAS 2, par. 50)		
92. For post-1991 loan guarantees, are estimated subsidy costs recognized as an expense in the year the loan is disbursed? (SFFAS 2 par. 24; OMB Bull. 94-01, app. C, note 7H1, p. 52, para 3, & pp. 56 & 59)		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<p>93. Are estimated subsidy costs (and offsetting receipts) for the guaranteed loans disbursed during the reporting period broken out among: (SFFAS 2, par. 25; OMB Bull. 94-01, app. C, note 7H1 &amp; H3, pp. 52, 56, &amp; 59)</p> <p>a. Interest subsidy cost?</p> <p>b. Default cost (net of recoveries)?</p> <p>c. Other costs?</p> <p>d. Offsetting fees and other collections?</p>		
<p>94. Are default costs estimated and reestimated for each program on the basis of separate cohorts and risk categories? (SFFAS 2, par. 33; OMB Bull. 94-01, app. C, note 7H1, pp. 56 &amp; 59)</p>		



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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
95. In estimating and reestimating current and projected future default costs for each group, cohort, and risk category, has the agency used a consistent and systematic methodology? (SFFAS 2, par. 34-36)		
96. If post-1991 loan guarantees are modified, is a description of the modification and corresponding cost of modification disclosed in the footnotes and is a modification expense reported? (SFFAS 2, par. 49, 56, & app. B, part IIID(3); OMB Bull. 94-01, app. C, note 7H, pp. 56 & 59)		
97. If post-1991 loan guarantees are modified, is the "modification adjustment transfer," paid to or received from the Treasury to offset the recognized gain or loss resulting from the modification, treated as a reduction in financing sources (if a gain) or a financing source (if a loss)? (SFFAS 2, par. 52 & app. B, part IIID)		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
Pre-1992 Loan Guarantees		
98. Is the face value of pre-1992 guaranteed loans outstanding and amount guaranteed disclosed by program? (SFFAS 2, par. 39; OMB Bull. 94-01, app. C, note 7F, pp. 55 & 58)		
99. Are liabilities for pre-1992 loan guarantees recognized when it is more likely than not that the loan guarantees will require future cash outlays to pay default claims? (SFFAS 2, par. 39; OMB Bull. 94-01, app. C, note 7F, pp. 55 & 58)		
100. Are the liabilities for the pre-1992 loan guarantees reestimated each year as of the date of the financial statements? (SFFAS 2, par. 39)		
101. In estimating current liabilities for pre-1992 loan guarantees, has the agency used a consistent and systematic methodology? (SFFAS 2, par. 34-36)		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
102. If pre-1992 loan guarantees are modified, are they transferred to a financing account and the book value of the liability changed to reflect the modified terms? (SFFAS 2, par. 47 & 51, & app. B, part IVB(4))		
103. Are subsequent modifications of pre-1992 loan guarantees treated as a modification of post-1991 loan guarantees? (SFFAS 2, par. 51)		
104. Are losses and liabilities on pre-1992 loan guarantees recognized when it is more likely than not that the guarantees will require future cash outflows to pay default claims? (SFFAS 2, par. 39 & app. B, part IVA)		
105. When liabilities for pre-1992 loan guarantee are reestimated, is any increase charged to default expense? (SFFAS 2, app. B, part IVA, note 33)		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
106. If pre-1992 loan guarantees are modified, is (1) a description of the modification and corresponding cost of modification disclosed in the notes to the financial statements and (2) a modification expense reported? (SFFAS 2, par. 49 & 56, & app. B, part IVB(1-3))		
Interest, Penalties, and Other Expenses		
107. Has accrued interest, including amortized interest, been recognized as interest income? (SFFAS 2, par. 37)		
108. Has interest due from the Treasury on uninvested funds been recognized as interest income? (SFFAS 2, par. 37)		
109. Has interest accrued on debt to the Treasury been recognized as interest expense? (SFFAS 2, par. 37)		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
110. Have administrative costs (such as salaries, legal fees, servicing, etc.), incurred in support of direct loan and guaranteed loan programs been recognized by individual loan programs? (OMB Bull. 94-01, app. C, note 7I, p. 60)		
<b>Inventory</b>		
Inventory is tangible personal property that is (a) held for sale, (b) in process of production for sale, or (c) to be consumed in the production of goods for sale or in the provision of services for a fee. (SFFAS 3, par. 17 & 18)		
111. Is Inventory reported as an asset? (SFFAS 3, par. 17; OMB Bull. 94-01, app. C, p. 3 item 1d & p. 18, item d)		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
112. Is Inventory categorized as (a) Inventory held for sale, (b) Inventory held in reserve for future sale, (c) excess, obsolete, and unserviceable Inventory, and (d) Inventory held for repair? (SFFAS 3, par. 18 & 35; OMB Bull. 94-01, app. C, p. 60, note 8)		
113. Is the composition of Inventory described in a note to the financial statements? (SFFAS 3, par. 35; OMB Bull. 94-01, app. C, exhibit 1, note 1J, p. 4)		
114. Is Inventory valued at either historical cost or latest acquisition cost and is the valuation method disclosed? (SFFAS 3, par. 20 & 35; OMB Bull. 94-01, app. C, p. 60, note 8)		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
115. If valued at historical cost, does that cost include the purchase amount and all other costs incurred to bring the Inventory into its current condition and location, except for any abnormal costs, such as excessive handling or rework costs? (SFFAS 3, par. 21)		
116. Are excessive handling or rework costs charged to expenses for the period? (SFFAS 3, par. 21)		
117. Are the historical cost flow assumptions (such as FIFO) disclosed? (SFFAS 3, par. 22 & 35)		
118. Under historical cost, is donated Inventory valued at its fair value at the time of donation? (SFFAS 3, par. 21)		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
119. Under historical cost, is Inventory acquired through a nonmonetary exchange valued at the fair value of the Inventory received at time of the exchange, with the difference between it and the recorded amount of the Inventory surrendered reported as a gain or loss? (SFFAS 3, par. 21)		
120. Under latest acquisition cost, is the latest invoice price (actual cost) applied to all like units, including those acquired through donation and nonmonetary exchange? (SFFAS 3, par. 23)		
121. When revaluing Inventory to latest acquisition cost, is an allowance for unrealized holding gains/losses recognized and reported? (SFFAS 3, par. 23 & 24)		



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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<p>122. Under the latest acquisition cost, is the reported cost of goods sold computed as follows? (SFFAS 3, par. 25)</p> <p>Beginning Inventory            -Beginning Unrealized Holding Gains/Losses            +Purchases            -Ending Inventory            +Ending Unrealized Holding Gains/Losses</p> <hr/> <p>Cost of Goods Sold</p>		
<p>123. Does Inventory which is valued at net realizable value (such as Naval Petroleum Reserves), which may be greater than historical cost, meet the criteria of (a) an inability of determining approximate cost, (b) immediate marketability at quoted prices, and (c) unit interchangeability? (SFFAS 3, par. 26)</p>		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
124. Is Inventory held in reserve for future sale either reported or disclosed separately? (SFFAS 3, par. 27)		
125. Is excess, obsolete, or unserviceable Inventory valued at net realizable value, with the difference between the carrying amount of the inventory before identified as excess, obsolete, or unserviceable and the net realizable amount recognized as a gain or loss? (SFFAS 3, par. 30)		
126. Is excess, obsolete, or unserviceable Inventory either reported or disclosed separately? (SFFAS 3, par. 29)		
127. Is the basis for determining excess, obsolete, or unserviceable Inventory disclosed? (SFFAS 3, par. 31)		

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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/NA</b>	<b>Explanation</b>
128. Is Inventory held for repair accounted for under the allowance method or direct method? (SFFAS 3, par. 32)		
129. Is the criteria for identifying which category Inventory is assigned, restriction on its sale, and the changes in accounting methods, if any, disclosed? (SFFAS 3, par. 35; OMB Bull. 94-01, app. C, p. 60 note 8)		
<b>Operating Materials and Supplies</b>		
Operating Materials and Supplies are tangible personal property to be consumed in normal operations. (SFFAS 3, par. 36)		
130. Are Operating Materials and Supplies reported as an asset when acquired (using the consumption method of accounting)? (SFFAS 3, par. 36 & 38; OMB Bull. 94-01, app. C, p. 18, item 1e)		

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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/NA</b>	<b>Explanation</b>
131. Are Operating Materials and Supplies categorized as (a) held for use, (b) held in reserve for future use, and (c) excess, obsolete, or unserviceable? (SFFAS 3, par. 37)		
132. Is the cost of Operating Materials and Supplies reported as an expense in the period they are issued to an end user for consumption? (SFFAS 3, par. 39)		

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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/NA</b>	<b>Explanation</b>
133. If the purchase method of accounting is used (items expensed in the year of acquisition), are the following criteria met: (SFFAS 3, par. 40)  a. Operating Materials and Supplies are not significant amounts?  b. In the hands of the end user?  c. It is not cost-beneficial to apply the consumption method?		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<p>134. Are the following items related to Operating Materials and Supplies disclosed: (SFFAS 3, par. 50; OMB Bull. 94-01, app. C, p. 61, note 9)</p> <p>a. General composition?</p> <p>b. Balances in each category?</p> <p>c. Change in accounting methods?</p> <p>d. Basis for valuation?</p> <p>e. Restrictions, if any?</p> <p>f. Criteria for identifying each category?</p>		
<b>Stockpile Materials</b>		
<p>Stockpile Materials are strategic and critical materials held due to statutory requirements for use in national defense, conservation, or national emergencies. (SFFAS 3, par. 51)</p>		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
135. Are Stockpile Materials recognized and reported as assets when acquired? (SFFAS 3, par. 51 & 52; OMB Bull. 94-01, app. C, p. 18, item 1f)		
136. Are Stockpile Materials valued at historical cost with the cost flow method (such as FIFO) disclosed? (SFFAS 3, par. 53 & 56; OMB Bull. 94-01, app. C, p. 61, note 10)		
137. Does the cost of Stockpile Materials include all appropriate costs incurred in bringing the materials to their current condition and location, except for abnormal costs such as excessive handling and rework costs? (SFFAS 3, par. 53)		
138. Are excessive handling and rework costs charged to an expense in current operations? (SFFAS 3, par. 53)		

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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/NA</b>	<b>Explanation</b>
139. Is the carrying amount of Stockpile Materials written down to net realizable value of the materials due to a permanent decline in the value, or through damage or decay, and is the amount written down reported as a loss or an expense in the period it was written down? (SFFAS 3, par. 54)		
140. When Stockpile Materials are authorized for sale, are those materials disclosed as being held for sale? (SFFAS 3, par. 55)		



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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<p>141. Are the following items related to Stockpile Materials disclosed: (SFFAS 3, par. 56; OMB Bull. 94-01, app. C, p. 61, note 10)</p> <p>a. General composition?</p> <p>b. Changes in accounting methods?</p> <p>c. Restrictions?</p> <p>d. Criteria for categorizing materials for sale?</p>		
<b>Seized Property</b>		
<p>Seized Property is monetary instruments, real property, and tangible personal property belonging to others but in actual or constructive possession of a custodial agency that was taken under authority of law by enforcement agencies. (SFFAS 3, par. 57)</p>		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
142. Are seized monetary instruments reported as an asset by the agency that is operating as the central fund? (SFFAS 3, par. 60 & 61; OMB Bull. 94-01, app. C, p. 18, item 1g)		
143. Are seized monetary instruments reported as assets at market value? (SFFAS 3, par. 61, 63, & 65; OMB Bull. 94-01, app. C, p. 18 item 1g)		
144. Is a corresponding liability recognized and reported for seized monetary assets reported as assets? (SFFAS 3, par. 61; OMB Bull. 94-01, app. C, p 18, item 1g)		
145. Is Seized Property other than monetary instruments valued at market value at date of seizure, or as soon thereafter as reasonably possible and disclosed? (SFFAS 3, par. 62 and 63; OMB Bull. 94-01, app. C, p. 18, item 1g)		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
146. Is the value of Seized Property taken under the Internal Revenue Code based on the taxpayer's equity (market value less any third-party liens)? (SFFAS 3, par. 64)		
147. Are the following items of Seized Property disclosed: (SFFAS 3, par. 66; OMB Bull. 94-01, app. C, p. 62, note 11) <ul style="list-style-type: none"> <li>a. What constitutes a seizure and the composition of the property?</li> <li>b. Valuation method(s)?</li> <li>c. Changes in accounting?</li> <li>d. Analysis of the change in the reported amounts?</li> </ul>		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<b>Forfeited Property</b>		
Forfeited Property consists of (a) monetary instruments, intangible property, tangible personal property, and real property, acquired through forfeiture proceedings, (b) property acquired to satisfy a tax liability, and (c) unclaimed and abandoned merchandise. (SFFAS 3, par. 68)		
148. Are seized monetary instruments reclassified to Forfeited Property when a forfeiture judgement is obtained? (SFFAS 3, par. 69 & 70; OMB Bull. 94-01, app. C, p. 19, item 1h)		
149. Are forfeited monetary instruments valued at their market value at time of forfeiture with a corresponding revenue amount recognized and any liability related to a previous seized amount removed? (SFFAS 3, par. 69)		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
150. Is Forfeited tangible, real, and intangible personal property recognized as an asset at its fair value at the time of forfeiture with an offsetting deferred revenue recognized? (SFFAS 3, par. 70)		
151. Is an allowance account (contra asset account) established for expected payments to third-party claimants related to Forfeited Property recognized? (SFFAS 3, par. 70)		
152. Is no financial value placed on Forfeited Property which cannot be sold, but can only be donated or destroyed? (SFFAS 3, par. 71)		
153. Is Forfeited Property not held for sale reclassified as property held for distribution or use when a determination is made that it will be distributed and not sold? (SFFAS 3, par. 74)		

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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/NA</b>	<b>Explanation</b>
154. When Forfeited Property is sold, is revenue in the amount of the proceeds recognized and any deferred revenue previously recognized removed? (SFFAS 3, par. 72, 75, 76, & 77)		
155. Is Forfeited Property that will not be available to support the entity's operations classified as a non-entity asset? (OMB Bull. 94-01, app. C, p. 19, item 1h)		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<p>156. Are the following items related to Forfeited Property disclosed: (SFFAS 3, par. 78; OMB Bull. 94-01, app. C, p. 62, note 12)</p> <ul style="list-style-type: none"> <li>a. Composition of the property?</li> <li>b. Valuation method(s)?</li> <li>c. Changes in accounting?</li> <li>d. Analysis of the change in the reported amounts?</li> <li>e. Restrictions?</li> <li>f. Estimates of the value of property to be distributed to other federal agencies or state and local governments in future reporting periods?</li> </ul>		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<b>Foreclosed Property</b>		
Foreclosed Property is any asset received in satisfaction of a loan receivable or as a result of payment of a claim under a guaranteed or insured loan. (SFFAS 3, par. 79)		
157. Is post-1991 Foreclosed Property valued at the net present value of projected cash flows associated with the property? (SFFAS 3, par. 79 & 81; OMB Bull. 94-01, app. C, p. 54, items D & E)		
158. Are receipts or disbursements associated with acquiring and holding post-1991 Foreclosed Property charged or credited to the Foreclosed Property account? (SFFAS 3, par. 88)		
159. Is pre-1992 Foreclosed Property reported at cost and adjusted to the lower of cost or net realizable value; the difference being reported in a valuation allowance account? (SFFAS 3, par. 81)		



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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
160. Are claims of third parties (lenders or debtors) accounted for in a valuation allowance account? (SFFAS 3, par. 87)		
161. Is the difference between the net carrying amount of Foreclosed Property and the net proceeds of a sale recorded as a component of operating results--gains/losses? (SFFAS 3, par. 89)		
162. Is Foreclosed Property placed into operation, reclassified as follows: (SFFAS 3, par. 89) <ul style="list-style-type: none"> <li>a. For post-1991 loans or guarantees: a reestimate of subsidy expense?</li> <li>b. For pre-1992 loans or guarantees: a gain or loss?</li> </ul>		

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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/NA</b>	<b>Explanation</b>
163. Are the following items related to Foreclosed Property disclosed: (SFFAS 3, par. 91; OMB Bull. 94-01, app. C, p. 58, note 7, item I)  a. Balances by categories?  b. Valuation method(s)?  c. Changes in accounting?  d. Restrictions?  e. Number of properties held and the average holding period by category?  f. Number of properties for which foreclosure proceedings are in process?		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<b>Goods Held Under Price Support and Stabilization Programs</b>		
<p>Goods Held Under Price Support and Stabilization Programs, hereafter referred to as "commodities," are items of commerce or trade (usually farm commodities) having an exchange value. In conducting price support programs, farmers are: (1) given nonrecourse loans under which they can, at their option, repay the loan with interest or surrender their commodity pledged as collateral for the loan or (2) enter into purchase agreements which allow the farmer, at his/her option, to either sell commodities to the government at the price support rate (referred to as "purchase settlement") or sell commercially at the going rate. (SFFAS 3, par. 92, 93, &amp; 94; OMB Bull. 94-01, app. C, p.19, item 1i)</p>		
<p>164. Are nonrecourse loans recognized as assets at the time the principal is disbursed? (SFFAS 3, par. 96)</p>		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
165. Is interest accrued on nonrecourse loans recognized periodically as it is earned? (SFFAS 3, par. 96)		
166. Are probable losses (the difference between the principal nonrecourse loan amount plus interest and the net realizable value of the Commodities held as collateral for the loan) recognized periodically and recorded in an allowance account? (SFFAS 3, par. 97 & 102)		
167. Are losses that are less than probable disclosed if it is at least reasonably possible that a loss may occur? (SFFAS 3, par. 98)		
168. Are Commodities recognized as assets when the farmer surrenders title to satisfy a nonrecourse loan or upon purchase by the agency? (SFFAS 3, par. 99 & 104)		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
169. Subsequent to acquisition, are Commodities carried at the lower of cost or net realizable value and is the difference, if any, recognized as a loss on farm price support? (SFFAS 3, par. 107)		
170. Are Commodities held for purposes other than sale, removed from the Commodities account, and reported as an expense upon their transfer? (SFFAS 3, par. 101)		
171. Does the cost of Commodities acquired include all costs (excluding interest on a nonrecourse loan) in acquiring title to the Commodities (such as processing, packaging, and transportation)? (SFFAS 3, par. 105 & 106)		

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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/NA</b>	<b>Explanation</b>
172. Is revenue recognized at the time of the sale of the Commodities and is the Commodity account reduced accordingly with a corresponding amount reported as cost of goods sold? (SFFAS 3, par. 100)		
173. Is a liability for losses on purchase agreements recognized for the difference between the contract price and the net realizable value of the commodities? (SFFAS 3, par. 103)		

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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/NA</b>	<b>Explanation</b>
174. Are the following items related to Commodities disclosed: (SFFAS 3, par. 109; OMB Bull. 94-01, app. C, p. 63, note 13)  a. Valuation method(s)?  b. Changes in accounting?  c. Restrictions?  d. An analysis showing the changes for commodities occurring during the period?  e. Dollar value and volume of purchase agreement commitments?		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<b>Property, Plant, and Equipment</b>		
<p>175. Are items of Property, Plant, and Equipment separately disclosed in the following categories, if material: (OMB Bull. 94-01, app. C, p. 19, item 1j &amp; note 14, p. 64)</p> <ul style="list-style-type: none"> <li>a. Land?</li> <li>b Structures, Facilities, and Leasehold Improvements?</li> <li>c. Military Equipment?</li> <li>d. ADP Software?</li> <li>e. Equipment?</li> <li>f. Assets Under Capital Lease?</li> <li>g. Natural Resources?</li> <li>h. Construction in Process?</li> <li>i. Other?</li> </ul>		



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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<p>176. For each category of Property, Plant, and Equipment, are the following items disclosed: (OMB Bull. 94-01, app. C, p. 19, item 1j &amp; note 14, p. 64 &amp; exhibit 1, note 1L, p. 5)</p> <ul style="list-style-type: none"> <li>a. Capitalization policy?</li> <li>a. Depreciation method?</li> <li>b. Service life?</li> <li>c. Acquisition value?</li> <li>d. Accumulated depreciation?</li> <li>e. Net book value?</li> </ul>		
<p>177. Are Property, Plant, and Equipment and Capital Leases described in a footnote? (OMB Bull. 94-01, app. C, exhibit 1, note 1L, p. 5)</p>		

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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
178. Are items belonging to the reporting entity in the hands of contractors or other governmental entities reported under Property, Plant, and Equipment? (OMB Bull. 94-01, app. C, p. 19, item 1j)		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<p>179. If the reporting entity is the lessee, are the following items under capital leases disclosed in a note to the financial statements: (OMB Bull. 94-01, p. 71, note 17)</p> <ul style="list-style-type: none"> <li>a. The value of land and buildings leased?</li> <li>b. The value of machinery and equipment leased?</li> <li>c. Value of other assets?</li> <li>d. Total accumulated amortization?</li> <li>e. Description of the leases?</li> <li>f. Under the three categories of assets leased above, the future payments due for:  (1) each of the next 5 years, (2) all years after 5 years (one figure), and (3) total payments?</li> </ul>		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<p>g. Under the three categories of assets leased above, subtracted from total payments:</p> <p>(1) imputed interest and</p> <p>(2) executory costs to yield a total capital lease liability?</p> <p>h. The portion of the total capital lease liability both funded with budgetary resources and unfunded?</p>		
<p>180. If the reporting entity is the lessee, are (1) descriptions of operating leases and (2) the amounts of payments expected for each of the following 5 years and all years after 5 years (one figure) disclosed in the footnotes? (OMB Bull. 94-01, p. 71, note 17)</p>		

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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
<p>181. If the reporting entity is the lessor, are the following items disclosed for both capital and operating leases: (OMB Bull. 94-01, p. 71, note 17)</p> <p>a. Description of the lease agreements?</p> <p>b. Amount of projected cash receipts for each of the next 5 years under three categories: (1) land and buildings, (2) machinery and equipment, and (3) other assets?</p> <p>c. Amount of projected cash receipts for all years after 5 years (one figure) under three categories: (1) land and buildings, (2) machinery and equipment, and (3) other assets?</p>		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
182. Is the nature and extent of items of Property, Plant, and Equipment reported at zero amount (such as public domain lands) disclosed? (OMB Bull. 94-01, app. C, p. 19, item 1j & note 14, p. 64)		
183. Are restrictions as to the use or convertability of Property, Plant, and Equipment disclosed? (OMB Bull. 94-01, app. C, p. 19, item 1j & note 14, p. 64)		
<b>Other Assets</b>		
184. Are Other Assets included in this line (such as prepaid amounts and deferred charges) shown under any other category? (OMB Bull. 94-01, app. C, p. 16, item 1a(6) & p. 17, item 1b(6))		
185. Is the accounting treatment for prepaid amounts and deferred charges disclosed? (OMB Bull. 94-01, app. C, exhibit 1, note 1M, p. 5)		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
186. Are the main components of Other Assets broken out and described in a note to the financial statements? (OMB Bull. 94-01, app. C, pp. 50 & 51, note 6)		
<b>Accounts Payable</b>		
187. Are Accounts Payable included in any other liability category? (OMB Bull. 94-01, app. C, p. 5, item 4a(1) & 5a(1))		
188. Do Accounts Payable exclude amounts related to ongoing continuous expenses such as salary and related benefits expense? (SFFAS 1, par. 75)		
189. Are Accounts Payable owed to other federal agencies reported separately from those owed to the public? (SFFAS 1, par. 76, OMB Bull. 94-01, app. C, p. 5, items 4a(1), 4b(1), 5a(1), & 5b(1))		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
190. Are Accounts Payable covered by budgetary resources reported separately from those not covered by budgetary resources? (SFFAS 1, par. 80; OMB Bull. 94-01, app. C, p. 23, item 4b(1) & p. 25, item 5a(1))		
<b>Interest Payable</b>		
191. Is interest incurred but unpaid recognized as Interest Payable and reported as a liability? (SFFAS 1, par. 81; OMB Bull. 94-01, app. C, p. 5, items 4a(2) & 4b(2) & pp. 22 & 23, items 4a(2) & 4b(2))		
192. Is Interest Payable to federal entities reported separately from Interest Payable to the public? (SFFAS 1, par. 82; OMB Bull. 94-01, app. C, pp. 22 & 23, items 4b(2) & 4b(2))		



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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
193. Is Interest Payable covered by budgetary resources reported separately from Interest Payable not covered by budgetary resources? (OMB Bull. 94-01, app. C, p. 22 & 23, items 4a(2) & 4b(2))		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<b>Other Current Liabilities</b>		
<p>194. Does the caption "Other Current Liabilities" include liabilities that:</p> <ul style="list-style-type: none"> <li>a. Are to be paid within the fiscal year following the reporting date? (SFFAS 1, app. C, p. 48 (definition of current liabilities))</li> <li>b. Are not material enough to be recognized in specific categories (examples of specific categories include accounts payable, interest payable, and debt owed the public)? (SFFAS 1, par. 83 &amp; 84)</li> <li>c. Typically are accrued, such as employees' wages, accrued entitlement benefits payable, and annuities administered by a trust? (SFFAS 1, par. 84)</li> </ul>		

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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
195. Are the accrued liabilities and their funding status described in a note to the financial statements? (OMB Bull. 94-01, app. C, exhibit 1, note 1N, p. 5)		
196. Are advances and prepayments (revenues received in advance of being earned) reported as a current liability? (SFFAS 1, par. 85)		
197. Are Other Current Liabilities due to federal entities reported separately from those due to employees and the public? (SFFAS 1, par. 85; OMB Bull. 94-01, app. C, p. 22, item 4a(4), p. 27, item 5b(5), p. 68, note 16A, & p. 69, note 16C)		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
198. Are the amounts of Current Liabilities covered by budgetary resources and not covered by budgetary resources separately disclosed? (SFFAS 1, par. 86; OMB Bull. 94-01, app. C, p. 22, item 4a(4), p. 27, item 5b(5), p. 68, note 16A, & p. 69, note 16C)		
<b>Liabilities for Loan Guarantees</b>		
Questions related to this line item are covered under line item 8, "Credit Program Receivables and Related Property."		
<b>Lease Liabilities</b>		
Questions related to this line item are covered under line item 16, "Property, Plant, and Equipment."		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<b>Debt</b>		
Debts are liabilities represented by instruments (for example, Treasury bills, notes, and bonds; FHA debentures; and TVA bonds) which contain specific terms that are issued to creditors for cash or cash equivalents. (OMB Bull. 94-01, app. C, p. 26, item 5b(2) & note 15, p. 67)		
There are two major categories of debt: (1) those covered by budgetary resources and (2) those not covered by budgetary resources. Debt is also divided into two additional categories: (1) intragovernmental debt, which are amounts borrowed from other federal entities and (2) debt held by the public. (OMB Bull. 94-01, app. C, note 15, p. 67)		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<p>199. Does the amount of intragovernmental debt include the following three categories: (1) borrowing from the Treasury, (2) borrowing from the Federal Financing Bank, and (3) borrowing from other federal entities? (OMB Bull. 94-01, app. C, note 15, p. 66)</p>		
<p>200. Are the following items related to intragovernmental debt disclosed in a note to the financial statements: (OMB Bull. 94-01, app. C, note 15, p. 66)</p> <ul style="list-style-type: none"> <li>a. Beginning balance?</li> <li>b. New borrowings?</li> <li>c. Repayments?</li> <li>d. Ending balance?</li> <li>e. Refinancing?</li> </ul>		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<p>201. For liabilities not covered by budgetary resources, only the Treasury's Bureau of Public Debt reports total public debt. Is the debt reported in two parts: (1) held by government accounts and (2) held by the public? (OMB Bull. 94-01, app. C, note 15, p. 66)</p>		
<p>202. Are the following items related to the public debt and agency debt disclosed: (OMB Bull. 94-01, app. C, note 15, p. 66)</p> <ul style="list-style-type: none"> <li>a. Beginning balance?</li> <li>b. New borrowing?</li> <li>c. Repayments?</li> <li>d. Ending balance?</li> <li>e. Refinancing?</li> </ul>		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<p>203. Are the following three items related to agency debt (issued by agencies such as TVA bonds) not covered by budgetary resources disclosed: (OMB Bull. 94-01, app. C, note 15, p. 66)</p> <p>a. Held by government accounts?</p> <p>b. Held by the public?</p> <p>c. Total agency debt?</p>		
<p>204. Is the following information related to debt disclosed: (OMB Bull. 94-01, app. C, note 15, p. 67)</p> <p>a. Maturity dates?</p> <p>b. Redemption and call features?</p> <p>c. Stated interest?</p>		



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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
205. Are repayment terms and interest payable, related to borrowings from the Treasury described in a note to the financial statements? (OMB Bull. 94-01, app. C, exhibit 1, note 1P, p. 6)		
<b>Pensions and Other Actuarial Liabilities</b>		
Pensions and Other Actuarial Liabilities include agency administered (1) pension plans, (2) health insurance programs, and (3) other programs (such as Veterans Benefits and Compensation, Black Lung, Federal Employees Compensation Act, and Longshore and Harbor Workers Program) where actuarial determinations and present value calculations are involved. Note: this shall only apply to (and information shall only be reported by) entities that administer the program or activity. This would exclude benefit plans such as Social Security and the Thrift Savings Plan. (OMB Bull. 94-01, app. C, p. 26, item 5b(4))		

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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
206. Are Pension and Other Actuarial Liabilities reported as liabilities under both (1) those covered by budgetary resources and (2) those not covered by budgetary resources? (OMB Bull. 94-01, app. C, p. 5, items 4b(4) & 5b(4), & note 18, p. 77, item D)		

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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
207. Is the following information for (1) pension plans, (2) health insurance programs, and (3) other programs disclosed: (OMB Bull. 94-01, app. C, note 18, p. 76)  a. Actuarial present value of projected plan benefits?  b. Assumed interest rate?  c. Assets available to pay benefits (actuarial liability covered by budgetary resources)?  d. Actuarial liability not covered by budgetary resources?  e. Other major assumptions made in determining the actuarial amounts?		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<p>208. Does the Statement of Financial Position report separately: (OMB Bull. 94-01, app. C, 4b(5) &amp; 5b(4); note 18, p. 77, item D)</p> <p>a. Pension liabilities covered by budgetary resources?</p> <p>b. Pension liabilities not covered by budgetary resources?</p>		
<p>209. Are the terms and funding source of employee retirement plans administered by the agency disclosed? (OMB Bull. 94-01, app. C, exhibit 1, note 1S, pp. 6 &amp; 7)</p>		
<p><b>Other Liabilities</b></p>		
<p>210. Are liabilities included under this line item not recognized under any other specific liability category? (OMB Bull. 94-01, app. C, p. 24, item 4b(6))</p>		

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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
211. Are the following examples of liabilities reported under other liabilities: (OMB Bull. 94-01, app. C, p. 24, item 4b(6), & p. 27, item 5b(5))  a. Accrued entitlement benefits?  b. Noncurrent advances and prepayments received?  c. Employees accrued annual leave?  d. Deposit fund amounts held in escrow?		

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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/NA</b>	<b>Explanation</b>
<p>e. Commitments and contingencies for which estimated losses have occurred and future payments are to be made, such as from: (OMB Bull. 94-01, app. C, p. 24, item 4b(6), &amp; p. 27, item 5b(5))</p> <p>(1) Insurance losses?</p> <p>(2) Indemnity agreements?</p> <p>(3) Adjudicated claims?</p> <p>(4) Commitments to international financial institutions?</p>		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<p>212. Is the following information about "other liabilities" disclosed in a note to the financial statements, if applicable: (OMB Bull. 94-01, app. C, note 16, pp. 68 &amp; 69)</p> <ul style="list-style-type: none"> <li>a. Liabilities covered by budgetary resources?</li> <li>b. Liabilities not covered by budgetary resources?</li> <li>c. Intragovernmental liabilities?</li> <li>d. Liabilities due to those outside the federal government?</li> <li>e. Current and noncurrent portions of liabilities?</li> </ul>		
<p>213. Is the method for computing, recording, and funding annual, sick, and other leave described? (OMB Bull. 94-04, app. C, exhibit 1, note 1R, p. 6)</p>		

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STATEMENT OF FINANCIAL POSITION	Yes/No/NA	Explanation
<b>Net Position</b>		
<p>214. Is the following information about Net Position disclosed in a note to the financial statements: (OMB Bull. 94-01, app. C, p. 28, item 7, &amp; p. 78, note 19)</p> <p>a. Unexpended Appropriations:</p> <p>    (1) Unobligated         --Available?         --Unavailable?</p> <p>    (2) Undelivered Orders/Obligations?</p> <p>b. Invested Capital?</p> <p>c. Cumulative Results of Operations?</p> <p>d. Other?</p> <p>e. Future Funding Requirements?</p> <p>f. Total (of the above five items)?</p>		



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<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
215. Are the totals of each of the above five items in the preceding question divided among (1) Revolving Funds, (2) Trust Funds, and (3) Appropriated Funds?		

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**STATEMENT OF OPERATIONS**  
**(AND CHANGES IN NET POSITION)**

The questions related to the Statement of Operations (and Changes in Net Position) are organized under 13 line items containing 41 questions (216-257) as follows.

There are footnote disclosure requirements for the Statement of Operations which have been covered in questions appearing under the Statement of Financial Position that will not be repeated in questions on this statement. However, the last segment of this part, Notes to the Financial Statements, lists the question contained in each line item in the Statement of Financial Position and this statement.

	Question Numbers
<b>General Item</b>	216
Revenues and Financing Sources	
1. Appropriated Capital Used	217
2. Revenues from Sales of Goods or Services	218-220
3. Interest and Penalties	221-224
4. Taxes	225-226
5. Other Revenues and Financing Sources	227-230
Expenses	
6. Program or Operating Expenses	231-232
7. Cost of Goods or Services Sold	233-235
8. Depreciation and Amortization	236
9. Bad Debts and Write-offs	237-238
10. Interest	239-240
11. Other Expenses	241-243
12. Net Revenues and Financing Sources Over Total Expenses and Extraordinary Items	244-247
Net Position	
13. Net Position	248-257

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STATEMENT OF OPERATIONS (AND CHANGES IN NET POSITION)	Yes/No/ NA	Explanation
<b>General Item</b>		
216. Does the Statement of Operations (and Changes in Net Position) report the results of operations, including: (1) revenues and financing sources, (2) expenses, (3) the difference between the two, and (4) the resulting change in net position? (OMB Bull. 94-01, app. B, p. 3 & app. C, p. 6)		
<b>Appropriated Capital Used</b>		
Appropriated capital finances the reporting entity's expenses and appears on the Statement of Operations as a positive amount.		

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<b>STATEMENT OF OPERATIONS (AND CHANGES IN NET POSITION)</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
<p>217. Does reported Appropriated Capital Used also include, if applicable: (OMB Bull. 94-01, app. C, p. 30, item 1)</p> <ul style="list-style-type: none"> <li>a. Unfunded prior period expenses funded with current period appropriations?</li> <li>b. Depreciation of fixed assets purchased in prior periods?</li> <li>c. Consumption of inventory purchased in prior periods?</li> <li>d. Accrued and actual losses on inventory write-downs?</li> <li>e. Bad debt expense related to long-term loans receivable and related interest on pre-1992 loans?</li> </ul>		

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STATEMENT OF OPERATIONS (AND CHANGES IN NET POSITION)	Yes/No/ NA	Explanation
<b>Revenues from Sales of Goods or Services</b>		
218. Are revenues arising from the sale of goods or services reported in the financial statements? (OMB Bull. 94-01, app. C, p. 30, item 2a)		
219. Are revenues arising from the sale of goods or services broken out between sales to the public and other governmental agencies? (OMB Bull. 94-01, app. C, p. 30, items 2a & 2b)		
220. Are revenues and other financing sources described in a note to the financial statements? (OMB Bull. 94-01, app. C, exhibit 1, note 1E, p. 3)		
<b>Interest and Penalties</b>		
221. Are revenues earned from nonfederal interest and penalties reported? (OMB Bull. 94-01, app. C, p. 30, item 2a)		

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STATEMENT OF OPERATIONS (AND CHANGES IN NET POSITION)	Yes/No/ NA	Explanation
222. Does reported nonfederal interest and penalties also include, if applicable, late payment penalties imposed on debtors in accordance with the Debt Collection Act? (OMB Bull. 94-01, app. C, p. 30, item 3)		
223. Are revenues earned from interest on federal securities held by the entity reported? (OMB Bull. 94-01, app. C, p. 30, item 4)		
224. Does federal interest also include, if applicable, interest on uninvested funds in guaranteed loans and direct loan financing accounts? (OMB Bull. 94-01, app. C, p. 30, item 4)		

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STATEMENT OF OPERATIONS (AND CHANGES IN NET POSITION)	Yes/No/ NA	Explanation
<b>Taxes</b>		
225. Are all taxes and other collections resulting from the federal government's sovereign powers to tax reported under "taxes" and disclosed in a note to the financial statements? (OMB Bull. 94-01, app. C, p. 30, item 5 & note 20, p. 80)		
226. Is the nature and amount of the taxes collected disclosed? (OMB Bull. 94-01, app. C, p. 80, note 20)		
<b>Other Revenues and Financing Sources</b>		
227. Are all revenues and other financing sources not included under the previous captions reported and disclosed? (OMB Bull. 94-01, app. C, p. 30, item 6 & note 21, p. 80)		

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<b>STATEMENT OF OPERATIONS (AND CHANGES IN NET POSITION)</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
228. Is the nature and amount of other revenues and financing sources disclosed in a note to the financial statements? (OMB Bull. 94-01, app. C, p. 80, note 21)		
229. Are revenues and financing sources included under the previous captions, which have either been transferred to or retained for the use of the Treasury or other agencies, reported? (OMB Bull. 94-01, app. C, p. 31, item 7)		
230. Are total revenues and financing sources less "Taxes and Receipts Returned to the Treasury" reported? (OMB Bull. 94-01, app. C, p. 31, item 8)		



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STATEMENT OF OPERATIONS (AND CHANGES IN NET POSITION)	Yes/No/ NA	Explanation
<b>Program or Operating Expenses</b>		
231. Are expenses incurred in conducting the normal activities of the department or agency reported and classified either by program or major object class in a note to the financial statement? (OMB Bull. 94-01, app. C, p. 31, item 9 & note 22, p. 81)		
232. Are expenditures for capitalized assets, interest, cost of goods sold, and "other" expenses separately reported? (OMB Bull. 94-01, app. C, p. 31 item 9 & p. 81, note 22)		
<b>Cost of Goods or Services Sold</b>		
233. Are expenditures applicable to the cost of goods sold, including the carrying value of commodities sold from stock, separately reported? (OMB Bull. 94-01, app. C, p. 81, note 22)		

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STATEMENT OF OPERATIONS (AND CHANGES IN NET POSITION)	Yes/No/ NA	Explanation
235. Are expenditures applicable to the cost of goods sold to the public and other federal entities separately disclosed? (OMB Bull. 94-01, app. C, p. 81, items 10a & 10b)		
<b>Depreciation and Amortization</b>		
236. Are depreciation and amortization costs separately reported, if material? (OMB Bull. 94-01, app. C, p. 31, item 11)		
<b>Bad Debts and Write-offs</b>		
237. Are estimated or actual amounts of receivables determined to be uncollectible during the accounting period separately reported, if material? (OMB Bull. 94-01, app. C, p. 31, item 12)		
238. Are write-downs for inventory shortages or obsolescence, and write-offs of fixed assets reported separately, if material? (OMB Bull. 94-01, app. C, p. 31, item 12)		

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STATEMENT OF OPERATIONS (AND CHANGES IN NET POSITION)	Yes/No/ NA	Explanation
239. If the financial statement is for a loan program, are write-offs and related expenses reported under "program or operating expenses?" (OMB Bull. 94-01, app. C, p. 31, item 12)		
<b>Interest</b>		
240. Is interest expense for agency borrowings from the Treasury, interest on agency debt issued under special agency authority, and other interest expense separately reported? (OMB Bull. 94-01, app. C, p. 31, item 13)		
<b>Other Expenses</b>		
241. Are all other expenses, as for example, losses on the disposition of assets and collateral property, not included under the previous captions reported? (OMB Bull. 94-01, app. C, p. 32, item 14 & note 23, p. 82)		

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<b>STATEMENT OF OPERATIONS (AND CHANGES IN NET POSITION)</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
242. Is the nature and amount of "any significant other expenses" not included under previous captions disclosed in a note to the financial statements? (OMB Bull. 94-01, app. C, p. 32 item 14 & note 23, p. 82)		
243. Are the expenses under the previous captions totaled and reported? (OMB Bull. 94-01, app. C, p. 32, item 15)		
<b>Net Revenues and Financing Sources Over Total Expenses and Extraordinary Items</b>		
244. Is the excess or shortage of revenues and financing sources over total expenses before adjustments reported? (OMB Bull. 94-01, app. C, p. 32, item 16)		

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STATEMENT OF OPERATIONS (AND CHANGES IN NET POSITION)	Yes/No/ NA	Explanation
245. Are revenues and expenses unrelated to the agency's ordinary activities that were not included in the previous categories of revenues and expenses reported and disclosed? (OMB Bull. 94-01, app. C, p. 32, item 17 & note 24, p. 82)		
246. Are the nature and amount of the extraordinary items disclosed? (OMB Bull. 94-01, app. C, p. 32 item 17 & note 24, p. 82)		
247. Is the excess or shortage of revenues and financing sources over total expenses after extraordinary items reported? (OMB Bull. 94-01, app. C, p. 32, item 18)		
<b>Net Position</b>		
248. Is the "net position, beginning balance" reported? (OMB Bull. 94-01, app. C, p. 32, item 19)		

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<b>STATEMENT OF OPERATIONS (AND CHANGES IN NET POSITION)</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
249. Does the net position, beginning balance agree with the "net position, ending balance" reported on the entity's prior year statement of financial position? (OMB Bull. 94-01, app. C, p. 32, item 19)		
250. Are adjustments that represent an accounting change or a correction of an error in previously issued statements disclosed? (OMB Bull. 94-01, app. C, p. 32, item 20 & note 24, p. 82)		
251. Is the nature and amount of adjustments disclosed in a note to the financial statements? (OMB Bull. 94-01, app. C, p. 32 item 20 & note 24, p. 82)		
252. Is the net position balance as of the beginning of the current fiscal year reported net of "prior period adjustments"? (OMB Bull. 94-01, app. C, p. 32 item 21)		

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STATEMENT OF OPERATIONS (AND CHANGES IN NET POSITION)	Yes/No/ NA	Explanation
253. Is the previously stated "excess or shortage of revenues and financing sources over total expenses after extraordinary items" reported just below "net position, beginning balance, as restated?" (OMB Bull. 94-01, app. C, p. 32, item 22)		
254. Are nonoperating changes to the agency's net position during the fiscal year that were not a part of revenues and financing sources, expenses, extraordinary items, or prior period adjustments reported? (OMB Bull. 94-01, app. C, p. 33, item 23 & note 25, p. 83)		
255. Is the nature and amount of nonoperating changes disclosed? (OMB Bull. 94-01, app. C, p. 33 item 23 & note 25, p. 83)		

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<b>STATEMENT OF OPERATIONS (AND CHANGES IN NET POSITION)</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
256. Is the net position, ending balance, that is reported, derived from the sum of the "excess (shortage) of revenues and financing sources over total expenses" and the "plus (minus) nonoperating changes?" (OMB Bull. 94-01, app. C, p. 33 item 24)		
257. Does the reported "net position, ending balance" equal the ending net position balance reported on the statement of financial position? (OMB Bull. 94-01, app. C, p. 33 item 24)		



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**STATEMENT OF CASH FLOWS**

Beginning with the fiscal year 1997 financial statements, the Statement of Cash Flows will not be required. For fiscal years 1995 and 1996, agencies may request from OMB a waiver of the requirement to include a Statement of Cash Flows in their financial statements. However, if an agency believes the information contained in the statement is useful, it is not precluded from preparing the statement for inclusion in its annual financial report.

The Statement of Cash Flows can be prepared under one of two methods: the Direct Method or the Indirect Method. The Direct Method contains 21 questions and the Indirect method contains 22 questions. Each method contains five major line items. Although each method provides a different presentation, they both contain the same information, and, consequently, 20 of the 21 questions under the Direct Method are also used under the Indirect Method as shown under the five major line items on the next page.

Users of this guide should also note that there are footnote disclosure requirements for the Statement of Cash Flows. Any footnote disclosure requirements not covered in the questions in this section will appear under the questions in the Statements of Financial Position and Operations.

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	Question Numbers
<b>Direct Method</b>	
General Item	258
1. Cash Provided (Used) By Operating Activities	259-262
2. Cash Provided (Used) By Investing Activities	263-264
3. Cash Provided (Used) By Financing Activities	265-271
4. Reconciliation of Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	272-274
5. Supplemental Schedule of Financing and Investing Activity	275-278
<b>Indirect Method</b>	
General Item	
1. Cash Flows From Operating Activities	279
2. Cash Flows From Investing Activities	259-262
3. Cash Flows From Financing Activities	263-264
4. Supplemental Disclosure of Cash Flow Information	265-271
5. Supplemental Schedule of Financing and Investing Activity	280
	275-278

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STATEMENT OF CASH FLOWS	Yes/No/ NA	Explanation
<b>Direct Method</b>		
<p>258. In the Direct Method, is the Statement of Cash Flows divided into the following five parts? (OMB Bull. 94-01, app. C, pp. 7 &amp; 8)</p> <ul style="list-style-type: none"> <li>a. Cash Provided (Used) By Operating Activities.</li> <li>b. Cash Provided (Used) By Investing Activities.</li> <li>c. Cash Provided (Used) by Financing Activities.</li> <li>d. Reconciliation of Excess (Shortage) of Revenues and Financing Sources over Total Expenses.</li> <li>e. Supplemental Schedule of Financing and Investing Activity.</li> </ul>		

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STATEMENT OF CASH FLOWS	Yes/No/ NA	Explanation
<b>Direct Method: Cash Provided (Used) By Operating Activities</b>		
Operating activities usually involve the production and provision of goods and services. (OMB Bull. 94-01, app. C, p. 34, top)		
259. Is the "Cash Provided (Used) By Operating Activities" part divided into two segments: (1) "Cash Provided By" and (2) "Cash Used For?" (OMB Bull. 94-01, app. C, p. 7)		

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STATEMENT OF CASH FLOWS	Yes/No/ NA	Explanation
<p>260. Does the "Cash Provided By" segment include cash collections in the following line items in the statement: (OMB Bull. 94-01, app. C, p. 7)</p> <ul style="list-style-type: none"> <li>a. Tax collections? (OMB Bull. 94-01, app. C, p. 34, item 17)</li> <li>b. Sales of goods and services? (OMB Bull. 94-01, app. C, p. 34, item 2)</li> <li>c. Interest and penalties? (OMB Bull. 94-01, app. C, p. 34, item 3)</li> <li>d. Benefit programs? (OMB Bull. 94-01, app. C, p. 34, item 4)</li> <li>e. Insurance and guarantee programs? (OMB Bull. 94-01, app. C, p. 34, item 5)</li> </ul>		

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<b>STATEMENT OF CASH FLOWS</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
f. Other? (OMB Bull. 94-01, app. C, p. 34, item 6)		
g. Total cash provided? (OMB Bull. 94-01, app. C, p. 34, item 7)		

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STATEMENT OF CASH FLOWS	Yes/No/ NA	Explanation
<p>261. Does the "Cash Used For" segment include cash disbursed for the following line items in the statement? (OMB Bull. 94-01, app. C, p. 7)</p> <p>a. Interest? (OMB Bull. 94-01, app. C, p. 34, item 8)</p> <p>b. Personnel services and benefits? (OMB Bull. 94-01, app. C, p. 34, item 9)</p> <p>c. Travel and transportation? (OMB Bull. 94-01, app. C, p. 34, item 10)</p> <p>d. Rent, communications, and utilities? (OMB Bull. 94-01, app. C, p. 34, item 11)</p> <p>e. Printing and reproduction? (OMB Bull. 94-01, app. C, p. 34, item 12)</p>		

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STATEMENT OF CASH FLOWS	Yes/No/ NA	Explanation
<p>f. Other contractual services? (OMB Bull. 94-01, app. C, p. 34, item 13)</p> <p>g. Supplies and materials? (OMB Bull. 94-01, app. C, p. 34, item 14)</p> <p>h. Insurance claims and indemnities? (OMB Bull. 94-01, app. C, p. 34, item 15)</p> <p>i. Grants, subsidies, and contributions? (OMB Bull. 94-01, app. C, p. 35, item 16)</p> <p>j. Other? (OMB Bull. 94-01, app. C, p. 35, item 17)</p> <p>k. Total cash used? (OMB Bull. 94-01, app. C, p. 35, item 18)</p>		
<p>262. Is the net amount of cash (the difference between cash provided and cash used in operating activities) reported as a line item in the statement? (OMB Bull. 94-01, app. C, p. 35, item 19)</p>		



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<b>STATEMENT OF CASH FLOWS</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
<b>Direct Method: Cash Provided (Used) by Investing Activities</b>		
Investment activities involve the acquisition and disposition of debt, equity, and fixed assets. (OMB Bull. 94-01, app. C, p. 35, middle)		

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STATEMENT OF CASH FLOWS	Yes/No/ NA	Explanation
<p>263. Does the "Cash Provided (Used) by Investing Activities" part include the net cash proceeds or disbursements under the following categories: (OMB Bull. 94-01, app. C, p. 7)</p> <ul style="list-style-type: none"> <li>a. Sale of property, plant, and equipment? (OMB Bull. 94-01, app. C, p. 35, item 20)</li> <li>b. Purchase of property, plant, and equipment? (OMB Bull. 94-01, app. C, p. 35, item 21)</li> <li>c. Sale of debt and equity securities? (OMB Bull. 94-01, app. C, p. 35, item 22)</li> <li>d. Purchase of debt and equity securities? (OMB Bull. 94-01, app. C, p. 35, items 23 &amp; 25)</li> <li>e. Collection of loans receivable? (OMB Bull. 94-01, app. C, p. 35, item 24)</li> </ul>		

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<b>STATEMENT OF CASH FLOWS</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
<p>f. Creation of loans receivable? (OMB Bull. 94-01, app. C, p. 35, item 25)</p> <p>g. Other investing activities? (OMB Bull. 94-01, app. C, p. 35, item 26)</p>		
264. Is the net amount of cash provided or (used) by investing activities shown in the statement? (OMB Bull. 94-01, app. C, p. 35, item 19)		
<b>Direct Method: Cash Provided (Used) by Financing Activities</b>		
Financing activities involve the acquisition and reduction of capital through appropriations, borrowings, transfers, and repayments. (OMB Bull. 94-01, app. C, p. 35, bottom)		

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STATEMENT OF CASH FLOWS	Yes/No/ NA	Explanation
<p>265. Does this segment of the statement show a line item, "Appropriations Received Net of Recisions," which includes the following additional line items: (OMB Bull. 94-01, app. C, p. 8)</p> <ul style="list-style-type: none"> <li>a. additions for amounts restored by Treasury? (OMB Bull. 94-01, app. C, p. 35, item 29a)</li> <li>b. additions for amounts of cash transferred from other federal sources? (OMB Bull. 94-01, app. C, p. 36, item 29b)</li> <li>c. deductions for amounts of unobligated appropriations withdrawn by the Treasury? (OMB Bull. 94-01, app. C, p. 35, item 30a)</li> <li>d. deductions for amounts of cash transfers to other federal agencies? (OMB Bull. 94-01, app. C, p. 36, item 30b)</li> </ul>		

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<b>STATEMENT OF CASH FLOWS</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
e. the net changes of items a-d above? (OMB Bull. 94-01, app. C, p. 36, item 31) a-d above? (OMB Bull. 94-01, app. C, p. 36, item 31)		

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STATEMENT OF CASH FLOWS	Yes/No/ NA	Explanation
<p>266. Does this segment of the statement show the following additional line items: (OMB Bull. 94-01, app. C, p. 8)</p> <p>a. Borrowing from the public (cash amounts received)? (OMB Bull. 94-01, app. C, p. 36, item 32)</p> <p>b. Repayment on loans to the public: cash amounts disbursed to liquidate all Treasury (or entity) debt held by the public? (OMB Bull. 94-01, app. C, p. 36, item 33)</p> <p>c. Borrowing from the Treasury and Federal Financing Bank: cash amounts received from such borrowings? (OMB Bull. 94-01, app. C, p. 36, item 34)</p>		

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STATEMENT OF CASH FLOWS	Yes/No/ NA	Explanation
<p>d. Repayments of loans from the Treasury and the Federal Financing Bank: amounts disbursed to liquidate such loans? (OMB Bull. 94-01, app. C, p. 36, item 35)</p> <p>e. Other borrowings and repayments: amounts of other cash collections or disbursements associated with the financing activities of the entity? (OMB Bull. 94-01, app. C, p. 36, item 36)</p> <p>f. Net cash provided (used) by financing activities (the difference between sources and uses under this part)? (OMB Bull. 94-01, app. C, p. 36, item 37)</p>		
<p>267. Is the net amount of cash provided or (used) in all three parts (operating, investing, and financing activities) reported in a single line item? (OMB Bull. 94-01, app. C, p. 36, item 38)</p>		

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STATEMENT OF CASH FLOWS	Yes/No/ NA	Explanation
268. Is the sum of the fund balances with Treasury, cash, and foreign currency at the beginning of the fiscal year reported below the net amount from the previous question? (OMB Bull. 94-01, app. C, p. 36, item 39)		
269. Does the sum of the fund balances with Treasury, cash, and foreign currency at the beginning of the fiscal year (as determined in the previous question) agree with the sum of the balances reported for those accounts on the prior year's Statement of Financial Position? (OMB Bull. 94-01, app. C, p. 36, item 39)		



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STATEMENT OF CASH FLOWS	Yes/No/ NA	Explanation
<p>270. Is the sum of net amount of cash provided (used) by operating, investing, and financing activities either</p> <p>a. added to the fund balances with Treasury, cash, and foreign currency at the <u>beginning</u> of the fiscal year if the net amount is provided or</p> <p>b. subtracted from the fund balances with Treasury, cash, and foreign currency at the <u>beginning</u> of the fiscal year if the net amount is used</p> <p>to arrive at a bottom line item called "Fund Balances with Treasury, Cash, and Foreign Currency, <u>Ending</u>?" (OMB Bull. 94-01, app. C, p. 36, item 40)</p>		

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<b>STATEMENT OF CASH FLOWS</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
271. Does this "Fund Balances with Treasury, Cash, and Foreign Currency, <u>Ending</u> " agree with the same amount reported in the current year's Statement of Financial Position? (OMB Bull. 94-01, app. C, p. 36, item 40)		
<b>Direct Method: Reconciliation of Excess (Shortage) of Revenues and Financing Sources over Total Expenses</b>		
272. Does this part of the Statement of Cash Flows begin with the line item, "Excess (Shortage) of Revenues and Financing Sources over Total Expenses" as reported in the Statement of Operations and Changes in Net Position? (OMB Bull. 94-01, app. C, p. 32, item 18 p. 36, item 41)		

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STATEMENT OF CASH FLOWS	Yes/No/ NA	Explanation
<p>273. Are the following 10 line items reported as adjustments to "Excess (Shortage) of Revenue and Financing Sources Over Total Expenses" to arrive at "Net Cash Provided (Used) by Operating Activities?" (OMB Bull. 94-01, app. C, p. 9 &amp; p. 37, item 52)</p> <p>a. Appropriated Capital Used (reported as a reduction of cash provided by operating activities)? (OMB Bull. 94-01, app. C, p. 30, item 1,&amp; p. 37, item 42)</p>		
<p>b. Decrease &lt;Increase&gt; in Accounts Receivable (OMB Bull. 94-01, app. C, p. 37, item 43)</p>		
<p>c. Decrease &lt;Increase&gt; in Loans Receivable (OMB Bull. 94-01, app. C, p. 37, item 44)</p>		

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<b>STATEMENT OF CASH FLOWS</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
d. Decrease <Increase> in Other Assets (OMB Bull. 94-01, app. C, p. 37, item 45)		
e. Increase <Decrease> in Accounts Payable (OMB Bull. 94-01, app. C, p. 37, item 46)		
f. Increase <Decrease> in Other Liabilities (OMB Bull. 94-01, app. C, p. 37, item 47)		
g. Depreciation and amortization expenses for the period? (OMB Bull. 94-01, app. C, p. 37, item 48)		
h. Other unfunded expenses, including bad debts and write-offs, annual leave, and other amounts not requiring a cash outlay during the fiscal year? (OMB Bull. 94-01, app. C, p. 37, item 49)		

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<b>STATEMENT OF CASH FLOWS</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
i. Other adjustments consisting of cash receipts and disbursements such as (1) prior period adjustments, (2) accounting changes, (3) correction of errors in previously issued statements, (4) extraordinary items, and (5) other nonoperating changes? (OMB Bull. 94-01, app. C, pp. 32 & 33, items 20 & 23; notes 24 & 25, pp. 82 & 83; & p. 37, item 50)		
<b>Direct Method: Supplemental Schedule of Financing and Investing Activity</b>		
275. Is supplemental information concerning investing and financing activities that affect liabilities, but do not result in cash receipts or disbursements, shown separately on the Statement of Cash Flows? (OMB Bull. 94-01, app. C, p. 38, top)		

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STATEMENT OF CASH FLOWS	Yes/No/ NA	Explanation
<p>276. Are the monetary amounts and terms of property and equipment acquired under capital leases, that did not result in cash payments, disclosed on a separate line item entitled, "Property and Equipment Acquired Under Capital Lease Obligations?" (OMB Bull. 94-01, app. C, p. 38, item 53)</p>		
<p>277. Are the monetary amounts and terms of property acquired under long-term financing arrangements, that did not result in cash payments shown on a separate line item entitled, "Property Acquired Under Long-term Financing Arrangements?" (OMB Bull. 94-01, app. C, p. 38, item 54)</p>		

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<b>STATEMENT OF CASH FLOWS</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
278. Are the amounts and terms of exchanges of noncash assets or liabilities, not specifically identified above, shown on a separate line item entitled, "Other Exchanges of Noncash Assets or Liabilities?" (OMB Bull. 94-01, app. C, p. 38, item 55)		

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STATEMENT OF CASH FLOWS	Yes/No/ NA	Explanation
<b>Indirect Method</b>		
<p>279. Under the Indirect Method is the Statement of Cash Flows divided into the following five parts? (OMB Bull. 94-01, app. C, pp. 10 &amp; 11)</p> <ul style="list-style-type: none"> <li>a. Cash Flows From Operating Activities.</li> <li>b. Cash Flows From Investing Activities.</li> <li>c. Cash Flows From Financing Activities.</li> <li>d. Supplemental Disclosure of Cash Flow Information.</li> <li>e. Supplemental Schedule of Financing and Investing Activity.</li> </ul>		



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STATEMENT OF CASH FLOWS	Yes/No/ NA	Explanation
<b>Indirect Method: Cash Flows from Operating Activities</b>  <b>Indirect Method: Supplemental Disclosure of Cash Flow Information</b>		
Since this part of the Cash Flow Statement, Indirect Method, is the same as the part in the Direct Method called "Reconciliation of Excess (Shortage) of Revenues and Financing Sources over Total Expenses," see questions 260-263.		
<b>Indirect Method: Cash Flows From Investing Activities</b>		
Since this part of the Cash Flow Statement, Indirect Method, is the same as the part in the Direct Method called "Cash Provided (Used) by Investing Activities," see questions 264 and 265.		

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STATEMENT OF CASH FLOWS	Yes/No/ NA	Explanation
<b>Indirect Method: Cash Flows From Financing Activities</b>		
Since this part of the Cash Flow Statement, Indirect Method is the same as the part in the Direct Method called "Cash Provided (Used) by Financing Activities," see questions 266-272.		
280. Is the amount of interest paid during the fiscal year net of amounts capitalized disclosed in a separate line item under this section? (OMB Bull. 94-01, app. C, p. 41, item 33)		
<b>Indirect Method: Supplemental Schedule of Financing and Investing Activities</b>		
Since this part of the Cash Flow Statement, Indirect Method, is the same as the part in the Direct Method called the same ("Supplemental Schedule of Financing and Investing Activities"), see questions 276-279.		

**STATEMENT OF BUDGETARY RESOURCES  
AND ACTUAL EXPENSES**

Beginning with the fiscal year 1997 financial statements, the Statement of Budgetary Resources and Actual Expenses will not be required. For fiscal years 1995 and 1996 agencies may request from OMB a waiver of the requirement to include a Statement of Budgetary Resources and Actual Expenses in their financial statements. However, if an agency believes the information contained in the statement is useful, it is not precluded from preparing the statement and including it in its annual report.

While not required to be prepared for agencywide financial statements being prepared for audit, this statement should be prepared by units and components of agencies.

The questions related to the Statement of Budgetary Resources and Actual Expenses are organized under three sections containing a total of 14 questions. The three sections are: (1) general item, one question; (2) budgetary resources by program, nine questions; and (3) budget reconciliation, five questions.

Users of this guide should note that there may be footnote disclosure requirements for the Statement of Budgetary Resources and Actual Expenses. Any footnote disclosure requirements not covered in this section will appear under the Statements of Financial Position and Operations.

	Question Numbers
General Item	281
Budgetary Resources By Programs	282-290
Budget Reconciliation	291-295

**Section IV**  
**Principal Financial Statements**

STATEMENT OF BUDGETARY RESOURCES AND ACTUAL EXPENSES	Yes/No/ NA	Explanation
<b>General Item</b>		
The Statement of Budgetary Resources and Actual Expenses is designed to link total expenses reported in the statement of operations to related obligation, expense, and expenditure information in the budget execution reports. (OMB Bull. 94-01, app. C, p. 43)		
<p>281. Is the Statement of Budgetary Resources and Actual Expenses divided into the following two major sections? (OMB Bull. 94-01, app. C, p. 12)</p> <p>a. Budgetary resources by programs.</p> <p>b. Budget reconciliation.</p>		

Section IV  
Principal Financial Statements

STATEMENT OF BUDGETARY RESOURCES AND ACTUAL EXPENSES	Yes/No/ NA	Explanation
<b>Budgetary Resources By Programs</b>		
282. Do the reporting entity's budgetary resources for programs, functional activities, or organizational components appear to be broken out on a useful basis to managers and financial statement users? (OMB Bull. 94-01, app. C, p. 43)		
283. For each program, functional activity, or organizational component, are the following items shown? (OMB Bull. 94- 01, app. C, p. 12)  a. Budgetary resources.  b. Direct obligations.  c. Reimbursed obligations.  d. Actual expenses.		

**Section IV**  
**Principal Financial Statements**

<b>STATEMENT OF BUDGETARY RESOURCES AND ACTUAL EXPENSES</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
284. Do budgetary resources include: new budgetary authority, available unobligated balances, reimbursements, recoveries of prior year obligations, and restorations? (OMB Bull. 94-01, app. C, p. 43)		
285. Do total budgetary resources available to the reporting entity agree with the total budgetary resources balance reported on line 7 of the entity's SF-133 and SF-143 reports (or DD Form 1176 for the Department of Defense)? (OMB Bull. 94-01, app. C, p. 43)		
286. Do "budget obligations, direct" include: amounts of orders placed, contracts awarded, services received, and similar transactions, which will result in outlays against budget authority? (OMB Bull. 94-01, app. C, p. 43)		

**Section IV**  
**Principal Financial Statements**

STATEMENT OF BUDGETARY RESOURCES AND ACTUAL EXPENSES	Yes/No/ NA	Explanation
287. Are the amounts for orders placed, contracts awarded, services received, and similar transactions incurred against authority, which have been earned through the performance of services or sale of goods to others, summarized under "budget obligations, reimbursed?" (OMB Bull. 94-01, app. C, p. 43)		
288. Does the sum of budget obligations, direct and budget obligations, reimbursed, agree with the obligations incurred balance shown on line 8 of the entity's SF-133 and SF-143 reports (or DD Form 1176 for the Department of Defense)? (OMB Bull. 94-01, app. C, p. 43)		
289. Do Actual Expenses include all operating expenses for enumerated programs, functional activities, or organizational components? (OMB Bull. 94-01, app. C, p. 43)		

**Section IV**  
**Principal Financial Statements**

<b>STATEMENT OF BUDGETARY RESOURCES AND ACTUAL EXPENSES</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
290. Does the total of Actual Expenses broken out by program, functional activities, or organizational components agree with total expenses in the Statement of Operations and Net Position? (OMB Bull. 94-01, app. C, p. 43)		
<b>Budget Reconciliation</b>		
The budget reconciliation section of the Statement of Budgetary and Actual Expenses is designed to reconcile current operating expenses (called Actual Expenses) to expended appropriations reported on line 16 of the entity's SF-133 and SF-143 reports (or DD Form 1176 for the Department of Defense). (OMB Bull. 94-01, app. C, p. 44)		
291. Does the Budget Reconciliation section of the Statement begin with total Actual Expenses? (OMB Bull. 94-01, app. C, p. 12)		



**Section IV**  
**Principal Financial Statements**

STATEMENT OF BUDGETARY RESOURCES AND ACTUAL EXPENSES	Yes/No/ NA	Explanation
<p>292. Are the following three budget resources expended, but not included in total Actual Expenses in the Statement of Operations and Changes in Net Position, added to Actual Expenses in the Statement? (OMB Bull. 94-01, app. C, pp. 43 &amp; 44)</p> <p>a. Capital acquisitions: the acquisition costs of assets purchased and capitalized during the period.</p> <p>b. Loans disbursed: the present value of loans that were issued from current period appropriations and recorded as receivables.</p> <p>c. Other expended budget authority for other items capitalized but not expended.</p>		

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**Section IV**  
**Principal Financial Statements**

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<b>STATEMENT OF BUDGETARY RESOURCES AND ACTUAL EXPENSES</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
293. Are the following three types of expenses not covered by budgetary authority deducted from Actual Expenses in the Statement? (OMB Bull. 94-01 app. C, p. 44)  a. Depreciation and amortization costs of capitalized assets.  b. Accrued annual leave expenses.  c. Other unfunded expenses not included in a or b above.		
294. Are net revenues from revolving funds, trust funds, and reimbursable agreements deducted from total program operating expenses (Actual Expenses)? (OMB Bull. 94-01, app. C, p. 44)		

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**Section IV**  
**Principal Financial Statements**

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<b>STATEMENT OF BUDGETARY RESOURCES AND ACTUAL EXPENSES</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
295. Does the Statement of Budgetary Resources and Actual Expenses provide a comparison and a reconciliation between: (1) amounts shown on the Report on Budget Execution and the Report on Execution (SF-133 and SF-143, respectively) and (2) the related expenses reported on the entity's Statement of Operations? (OMB Bull. 94-01, app. B, p. 3)		

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**Section IV**  
**Principal Financial Statements**

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**NOTES TO THE FINANCIAL STATEMENTS**

The questions related to footnotes in this part not previously covered are under two main captions, "Significant Accounting Policies" and "Contingencies." All other questions on footnote disclosure related to line items in the financial statements appear under the Statements of Financial Position and Operations and Changes in Net Position as the following list shows.

	Question Numbers
<b>Statement of Financial Position</b>	
1. Cash	10-14
2. Fund Balance	17-20
3. Accounts Receivable	23-26
4. Investments in Treasury Securities	31 & 33
5. Investments in Nonfederal Securities	33
6. Interest Receivable	39
7. Advances and Prepayments	
8. Credit Program Receivables and Related Property	46-51, 55, 59, 63, 72, 77-78, 87-89, 93-94, 97, 98, 106, & 110
9. Inventory	112-114, 127, & 129
10. Operating Materials and Supplies	134
11. Stockpile Materials	137 & 140-141
12. Seized Property	145 & 147
13. Forfeited Property	156
14. Foreclosed Property	163
15. Goods Held Under Price Support and Stabilization Programs	167 & 174
16. Property, Plant, and Equipment, Net	175-183
17. Other Assets	185 & 186
18. Accounts Payable	
19. Interest Payable	
20. Other Current Liabilities	
21. Liabilities for Loan Guarantees	See line item 8.
22. Lease Liabilities	See line item 16.
23. Debt	200 & 202-205
24. Pensions and Other Actuarial Liabilities	207-209
25. Other Liabilities	212 & 213
26. Net Position	214 & 215

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**Section IV**  
**Principal Financial Statements**

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<b>Statement of Operations and Changes in Net Position</b>	
1. Appropriated Capital Used	
2. Revenues from Sales of Goods or Services	220
3. Interest and Penalties	221 & 223
4. Taxes	225 & 226
5. Other Revenues and Financing Sources	228
6. Program or Operating Expenses	231
7. Cost of Goods or Services Sold	235
8. Depreciation and Amortization	
9. Bad Debts and Write-offs	
10. Interest	
11. Other Expenses	242
12. Net Revenues and Financing Sources Over Total Expenses and Extraordinary Items	246 & 247
13. Net Position	251 & 255
<b>Significant Accounting Policies</b>	296-300
<b>Contingencies</b>	301-302

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**Section IV**  
**Principal Financial Statements**

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<b>NOTES TO THE FINANCIAL STATEMENTS</b>	<b>Yes/No/NA</b>	<b>Explanation</b>
<b>Significant Accounting Policies</b>		
<p>Required in this footnote is a summary of appropriate accounting principles and methods that describe the entity's significant assets, liabilities, net position, results of operations, cash flow, and reconciliation to the budget. Also required in this footnote are a description of the major accounts as well as disclosure of any changes in the composition of the reporting entity. (OMB Bull. 94-01, app. C, p. 45, note 1)</p>		
<p>(Note: Questions that would appear under this footnote related to accounting treatment for line items on the financial statements are covered in questions under the Statements of Financial Position and Operations and Changes in Net Position.)</p>		

**Section IV**  
**Principal Financial Statements**

NOTES TO THE FINANCIAL STATEMENTS	Yes/No/NA	Explanation
<p>296. Is a general statement made as to the overall basis of financial statement preparation citing any one of the following four bases? (OMB Bull. 94-01, attach., p. 6 &amp; exhibit 1, note 1A, p. 1)</p> <p>a. SFFAS recommended by FASAB and approved by the principals of the Joint Financial Management Improvement Program.</p> <p>b. OMB Bulletin 94-01.</p> <p>c. Standards contained in agency accounting policies, procedures manuals, and related guidance as of March 29, 1991, so long as they are prevalent practices. (For example, Title 2 of the GAO Policies and Procedures Manual.)</p> <p>d. Accounting principles published by authoritative standard-setting bodies.</p>		

**Section IV**  
**Principal Financial Statements**

NOTES TO THE FINANCIAL STATEMENTS	Yes/No/NA	Explanation
297. Has the entity described its mission and basic organizational components? (OMB Bull. 94-01, app. C, exhibit 1, note 1 B, pp. 1 & 2) (Also see Part 1 of this guide, questions 15 and 16.)		
298. Does the entity describe its basis of accounting, such as the "accrual method?" (OMB Bull. 94-01, app. C, exhibit 1, note 1D, p. 3)		
299. Does the entity list and describe its budgetary accounts? (OMB Bull. 94-01, app. C, exhibit 1, note 1 C, p. 2)		
<b>Contingencies</b>		
300. Has the entity disclosed the basis of estimates having a material effect on line items (such as estimated cash flows, net values, etc.)?		



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**Section IV**  
**Principal Financial Statements**

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<b>NOTES TO THE FINANCIAL STATEMENTS</b>	<b>Yes/No/NA</b>	<b>Explanation</b>
301. Has the entity disclosed information for both loss or gain contingencies as required by Statement of Financial Accounting Standards (FASB) No. 5? (OMB Bull. 94-01, app. C, p. 84, note 27)		
302. Has the entity provided estimates of obligations related to cancelled appropriations, for which the entity has contractual commitments for payments? (OMB Bull. 94-01, app. C, p. 84, note 27)		

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## **CONSOLIDATED/COMBINING FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

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Agencies are encouraged to include additional information that will enhance user understanding of the entity's operations and financial condition. Agencies have wide discretion in presenting this information. (OMB Bull. 94-01, app. B, p. 4, items C & D; & SFFAC 2)

While guidance in these areas will evolve as time goes on, there are only seven questions presented here under two captions as follows.

	Question Numbers
Consolidated/Combined Financial Statements	1-3
Supplemental Information	4-7

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**Section V****Consolidated/Combining Financial Statements and Supplemental Information**

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<b>CONSOLIDATED/COMBINED FINANCIAL STATEMENTS</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
<b>Consolidated/Combined Financial Statements</b>		
1. Where feasible and appropriate, are consolidating/combining statements presented for component programs, activities, funds, or organizational units? (OMB Bull. 94-01, app. B, p. 4, item C.; SFFAC 2, par. 75-76)		
2. Do consolidated financial statements follow the same accounting standards and requirements that the component individual program, activity, or fund financial statements are prepared under? (OMB Bull. 94-01, app. B, p. 4, item C)		

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**Section V****Consolidated/Combining Financial Statements and Supplemental Information**

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<b>CONSOLIDATED/COMBINED FINANCIAL STATEMENTS</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
3. Where practical, are amounts representing transactions between component programs, activities, funds, or organizational units eliminated in the consolidated/combined financial statements, for example: interfund receivables payables, or write-ups/downs of assets transferred between organizational units? (SFFAC 2, par. 77)		
<b>Supplemental Information</b>		
4. Does supplemental information include financial and management information not included in the principal statements and footnotes? (OMB Bull. 94-01, app. B, p. 4, item D)		
5. Is supplemental information consistent with the information presented in the principal financial statements? (OMB Bull. 94-01, app. B, p. 4, item D)		

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**Section V****Consolidated/Combining Financial Statements and Supplemental Information**

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<b>CONSOLIDATED/COMBINED FINANCIAL STATEMENTS</b>	<b>Yes/No/ NA</b>	<b>Explanation</b>
6. Does the supplemental information: a. support the information presented in the overview and principal financial statements? (OMB Bull. 94-01, app. B, p. 4, item D)  b. enhance the existing information in the overview and principal financial statements? (OMB Bull. 94-01, app. B, p. 4, item D)		
7. Does the supplemental information enhance reader understanding of the financial condition and operations of the reporting entity? (OMB Bull. 94-01, app. B, p. 4, item D)		

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## Reporting

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### 1005 - SUBSEQUENT EVENTS REVIEW

- .01 This section deals with the subsequent events review that the auditor is required to perform as part of the audit, as described in section 550. AU 560 describes and provides guidance on the types of subsequent events requiring evaluation by the auditor, as well as the procedures that generally should be performed to discover whether such events have occurred.
- .02 Subsequent events are those events or transactions that may occur or become known subsequent to the date of the financial statements but before the audit report is issued that have a material effect on the financial statements and thus require adjustment or disclosure.
- .03 Two types of subsequent events may occur:
- Events occurring after the date of the financial statements that provide additional information about conditions existing at the date of the financial statements and that affect amounts recorded (or which should be recorded) in the financial statements. For example, a subsequent event may reveal that an accounting estimate is materially incorrect and that the financial statements should be adjusted.
  - Events occurring after the date of the financial statements that provide information about conditions that did not exist at the date of the financial statements. These events should not result in adjustments to the financial statements, but disclosure of them may be necessary to prevent the statements from being misleading. For example, a fire or flood after year end may cause a significant loss.
- .04 The purpose of a subsequent events review is to determine whether all subsequent events that have a material effect on the financial statements have been considered and treated appropriately in the financial statements. The subsequent period covered is from the date of the financial statements to the date of the audit report, which is the date of the completion of field work.

#### AUDIT PROCEDURES

- .05 At or near the completion of field work the auditor generally should perform specific procedures to be satisfied that he or she is aware of all

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**Reporting**  
**1005 - Subsequent Events Review**

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subsequent events that may require adjustment to or disclosure in the financial statements. These procedures are in addition to substantive tests that may be applied to transactions occurring after the date of the financial statements, such as examining subsequent disbursements to test completeness of accounts payable. The following program describes audit procedures that may be performed as part of a subsequent events review. The procedures generally should be customized for the particular audited entity.

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**Reporting**  
**1005 - Subsequent Events Review**

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Entity\_\_\_\_\_

Period of Financial Statements\_\_\_\_\_

Job Code\_\_\_\_\_

<b>Subsequent Events Review Program</b> Audit Procedure	Done By/Date	W/P Ref
<b>I. Read Interim Financial Statements</b> A. Compare the latest available interim financial statements, if any, with the financial statements under audit to identify any unusual adjustments and investigate any significant variations. B. Inquire as to whether the interim statements have been prepared on the same basis as the annual statements. C. For items in the statement of net costs, compare to similar interim financial statements of the prior year; consider expectations and investigate any significant variations. D. If interim financial statements are not available: 1. Compare interim internal financial reports or analyses, budgets, or cash-flow forecasts, considering any adjustments to the internal reports that may be necessary to make meaningful comparisons. 2. Review the accounting records prepared since the date of the financial statements for material transactions that may require adjustment to or disclosure in the financial statements, such as by scanning the general ledger and/or journals for material, unusual entries.		



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**Reporting**  
**1005 - Subsequent Events Review**

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Subsequent Events Review Program Audit Procedure	Done By/Date	W/P Ref
<p><b>II. Make Inquiries of Management As To:</b></p> <p>A. Whether any significant contingent liabilities or commitments existed at the date of the financial statements or at the date of the inquiry.</p> <p>B. Whether any significant changes occurred in the financial condition of the entity or in net position or long-term debt.</p> <p>C. The current status of items in the financial statements that were accounted for on the basis of tentative, preliminary, or inconclusive data.</p> <p>D. Whether any significant changes in estimates were made with respect to amounts included or disclosed in the financial statements, or any significant changes in assumptions or factors considered in determining estimates.</p> <p>E. Whether any unusual adjustments have been made during the period from the date of the financial statements to the date of inquiry.</p> <p>F. Whether any significant events occurred subsequent to the date of the financial statements, such as commitments or plans for major capital expenditures; lawsuits filed or settled other than those disclosed in the lawyers' letters; changes in accounting and financial policies; or losses as a result of fire, flood, or other disaster.</p>		

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**Reporting**  
**1005 - Subsequent Events Review**

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Subsequent Events Review Program Audit Procedure	Done By/Date	W/P Ref
<b>III. Read Minutes</b> A. Read the available minutes of meetings of agency management committees or other appropriate groups, including the period after the date of the financial statements, for information about events or transactions authorized or discussed which may require adjustment to or disclosure in the financial statements. B. With regard to meetings for which no minutes are available, inquire about matters dealt with at such meetings and conclusions reached.		
<b>IV. Cover Subsequent Events in Lawyers' Letters</b> A. Confirm litigation, claims, and assessments with the entity's legal counsel. See section 550 and AU 337.		
<b>V. Cover Subsequent Events in Management Representation Letter</b> A. Have management include representations in its management representation letter as to whether any events occurred subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements. See section 1001.		

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**Reporting**  
**1005 - Subsequent Events Review**

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<b>Subsequent Events Review Program Audit Procedure</b>	<b>Done By/Date</b>	<b>W/P Ref</b>
<b>VI. Other</b> A. Use other sources of information to learn of subsequent events, such as: 1. Talk to inspector general or internal audit department. 2. Talk to program divisions. 3. Read newspapers. B. Make additional inquiries or perform additional procedures deemed necessary to resolve any questions raised in the foregoing audit steps. C. Prepare a summary memo documenting the results of the above and conclusions reached.		

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## Reporting

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### 1006 - RELATED PARTIES REVIEW

- .01 This section deals with the related parties work that the auditor is required to perform as part of the audit, as described in sections 280 and 550. AU 334 provides guidance on the work that should be done to identify related party relationships and transactions so that the auditor may satisfy him or herself that they are appropriately accounted for and disclosed.
- .02 The reason for disclosing related party information is that the user of the financial statements may need that information to make appropriate decisions. If parties are related, the transactions between them may not be based on an arm's length relationship. For example, if the entity has transactions with another entity based on a common control situation, the users of financial statements should know that.
- .03 Information on accounting and disclosure of related party relationships and transactions are in FASB Statement Number 57 (AC section R36 in the Current Text). Related parties include affiliates of the audited entity; pension plans managed by the entity; management; their immediate families; other parties that can significantly influence the management or operating policies of the audited entity (or those which can be influenced by it). Transactions between related parties often occur in the normal course of business. They are considered related party transactions even if they are not given accounting recognition, such as when an entity receives services from a related party without charge.
- .04 In the federal government, the major related parties relate to the rest of the federal government. This would include the provision of services to the agency by other agencies, with or without a transfer of funds, such as the General Service Administration, the Department of Labor for workers' compensation, the Department of Agriculture payroll functions, pension plans and other retiree benefits from the Office of Personnel Management, administration of legal actions by the Justice Department, and the use of public funding, including public borrowings which may in part be attributable to the agency. Examples of transactions with governmental related parties include transactions related to donated space, detailees, and intragovernmental receivables and payables.
- .05 Other possible related parties outside of government would be management and individuals and firms with which members of management may be related. These relationships may be detected by reviewing financial

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**Reporting**  
**1006 - Related Parties Review**

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disclosure statements. Work done to test transactions with such parties should be coordinated with sensitive payments work, as discussed in paragraph 280.05.

- .06 The auditor also should be aware of and inquire about other parties that may or may not be related parties, but that should be disclosed because of a public perception that they may be related. Even if they are not related parties, or if there may be some question as to whether they are related, the relationship that does exist should be disclosed. For example, organizations exist with names and missions similar to legislative service organizations on Capital Hill, and disclosure of these organizations improve the legislative service organizations' disclosure.
- .07 Disclosures generally should include disclosure of the nature of the relationship between the entity and its related parties, a description of the transactions, including donations, dollar amounts of transactions that occurred during the period, and amounts due to or from related parties as of the end of the period. Disclosures could include aggregation of similar transactions by type; sometimes the disclosure of the relationship may be enough. In cases of common control relationships, the nature of the control relationship generally should be disclosed even though there are no transactions between the entities.
- .08 Disclosure of related party transactions is not required for transactions between parts of the audited entity that are eliminated in consolidation. However, if separate statements of the parts are issued, the disclosures should be presented.
- .09 AU 334 (SAS 45) states that the auditor should be aware that the substance of related party transactions may be different from their legal form, for example, borrowing or lending at rates or terms differing from market rates and terms, or selling property at prices differing from fair values.
- .10 The auditor should consider the possible existence of related parties and related party transactions throughout the audit to satisfy him or herself that they are properly accounted for and disclosed. The workpapers generally should include the names of related parties so all audit staff may become aware of transactions with them.
- .11 The management representation letter should include a representation that related party transactions have been properly accounted for and disclosed.

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**Reporting**  
**1006 - Related Parties Review**

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If management refuses to disclose related party transactions, the auditor generally should give a qualified or adverse opinion because of the inadequate disclosure and include the necessary disclosures in a separate paragraph in the audit report.

**AUDIT PROCEDURES**

- .12 Following are examples of audit procedures that may be performed. The steps should be customized for the particular audited entity.

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**Reporting**  
**1006 - Related Parties Review**

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Entity\_\_\_\_\_

Period of Financial Statements\_\_\_\_\_

Job Code\_\_\_\_\_

<b>Related Parties Review Program</b> <b>Audit Procedure</b>	<b>Done</b> <b>By/Date</b>	<b>W/P</b> <b>Ref</b>
<p><b>I. Planning Phase</b></p> <p>A. Consider the existence of related parties and related party transactions throughout the audit.</p> <p>B. Determine the existence of related parties and identify transactions with them.</p> <ol style="list-style-type: none"> <li>1. Request from management the names of all related parties and inquire whether there were transactions with them during the period.</li> <li>2. Identify the other entities the audited entity does significant business with, as either a supplier or a customer.</li> <li>3. Determine whether the audited entity receives donated services, such as space or detailed employees.</li> <li>4. Review prior year workpapers for names of known related parties.</li> <li>5. Inquire of IG as to related parties.</li> <li>6. Review financial disclosure statements of appropriate levels of management for the names of possible related parties and other entities in which members of management may occupy directorships or management positions.</li> <li>7. Inquire of auditors of related entities with which the audited entity has material transactions about their knowledge of relationships and the extent of management involvement in material transactions.</li> </ol>		

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**Reporting**  
**1006 - Related Parties Review**

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Related Parties Review Program Audit Procedure	Done By/Date	W/P Ref
<p>C. Identity transactions with related parties</p> <ol style="list-style-type: none"> <li>1. Provide audit staff with names of known related parties so they may become aware of transactions with them during the audit.</li> <li>2. Review minutes of management committees for information about material transactions authorized or discussed.</li> <li>3. Review financial disclosure or other conflict of interest statements of management.</li> <li>4. Review the extent and nature of business with major customers, suppliers, borrowers, and lenders for indications of previously undisclosed relationships.</li> <li>5. Consider whether transactions are occurring, but are not being given accounting recognition, such as receiving or providing space, detailees, accounting, management, or other services at no charge.</li> <li>6. Review accounting records for large, unusual, or nonrecurring transactions or balances, especially near the end of the period.</li> </ol>		
<p><b>II. Internal control phase</b></p> <ol style="list-style-type: none"> <li>A. Identify the systems and controls the audited entity has in place for identifying and properly accounting for transactions with related parties.</li> <li>B. Determine whether the controls are in place and operating effectively.</li> </ol>		



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**Reporting**  
**1006 - Related Parties Review**

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Related Parties Review Program Audit Procedure	Done By/Date	W/P Ref
<p><b>III. Testing phase</b></p> <p>A. The auditor should satisfy himself or herself about the purpose, nature, and extent of material related party transactions and their effect on the financial statements by examining selected transactions.</p> <ol style="list-style-type: none"> <li>1. Examine documentation such as invoices, contracts, and receiving and shipping reports.</li> <li>2. Obtain an understanding of the business purpose of the transaction.</li> <li>3. Determine whether the transaction has been appropriately approved.</li> <li>4. Test the compilation of amounts that may be disclosed in the financial statements for reasonableness.</li> <li>5. For interagency account balances, audits generally should be performed as of concurrent dates, with appropriate exchange of relevant information.</li> </ol>		
<p>B. The following procedures may be considered if necessary to fully understand a particular related party transaction.</p> <ol style="list-style-type: none"> <li>1. Confirm transaction terms and amounts with other party to the transaction.</li> <li>2. Inspect evidence possessed by the other party.</li> <li>3. Confirm or discuss significant information with intermediaries such as banks, agents.</li> </ol>		

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**Reporting**  
**1006 - Related Parties Review**

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<b>Related Parties Review Program Audit Procedure</b>	<b>Done By/Date</b>	<b>W/P Ref</b>
<b>IV. Reporting phase</b> A. Assure that the management representation letter includes a representation that related party transactions have been properly recorded and disclosed. B. Consider whether sufficient, competent evidential matter has been obtained for each material related party transaction, aggregation of similar transactions, or common control relationship to understand the relationship of the parties and the effects on the financial statements. C. Conclude whether related party transactions and control relationships have been adequately accounted for and disclosed in the financial statements.		